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IN THE

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1914.

No. 37

HAMILTON, BROWN SHOE COMPANY,
Petitioner,

vs.

THE WOLF BROTHERS AND COMPANY,
Respondent.

BRIEF FOR PETITIONER.

H. S. PRIEST,
LUKE E. HART,
MORTON JOURDAN,
Solicitors and of Counsel for Petitioner,
Hamilton, Brown Shoe Company.

JOSEPH W. BAILEY,
CHARLES B. HOWRY,
Of Counsel.

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ON ACCOUNTING IN ACTION FOR UNFAIR COMPETITION IN TRADE.

I.

This is an accounting in an action for alleged unfair competition in trade. The Court of Appeals erred in directing judgment against petitioner (defendant below) for $445,311.55 profits found to have been made by petitioner (defendant) in its manufacture and sale of shoes, without any proof that any one had purchased goods marketed by petitioner (defendant), under the belief that they were the product of the respondent, or that rspondent had lost a single customer by the petitioner's (defendant's) conduct.

II.

It erred in holding there could be a recovery of defendant's profits in an accounting based upon unfair competition. There can be no recovery of the defendant's profits in an action based upon unfair competition. Plaintiff's recovery is limited to his injury and consequent damage. He can recover such damages only as he shows he has sustained by the loss of trade which he otherwise would have had but for the defendant's sale of its goods as and for the plaintiff's goods. The complainant's right to recover profits in cases of patents and strict trade-marks rests upon the ground of complainant's property right in them and the defendant's unlawful use thereof, as in case of a trustee who has wrongfully used trust property to his own advantage. This rule has no application in a case which does not involve the use of another's property from which a definite profit is derived. If a wrongdoer

makes no profit from the use of another's property, there can be no recovery of profits (Elizabeth v. Pavement Co., 97 U. S. 126). Cases of unfair trade do not involve the element of the use of another's property; they involve only fraud and deception, through and by means of which the wrongdoer induces others to buy his goods as and for the goods of another, to the damage of such other (Sharpless v. Lawrence, 213 Fed. 423).

III.

It not only erred in holding there is an analogy between patent and trade-mark cases and cases of unfair competition, but it also misconceived and misapplied the rule applicable to patent and strict trade-mark cases. In patent cases the complainant is not entitled to recover the entire profit made by the defendant from the manufacture and sale of the article, but only such profits as it is shown defendant made "by the use of the plaintiff's invention", that is, the gains, savings and advantages derived by the defendant by reason of the infringement, or, in other words, the amount proved to have been contributed to the defendant's profits by the use of the infringing device (Westinghouse Co. v. Wagner Co., 225 U. S. 620; Dowagiac Manufacturing Co. v. Minnesota Moline Plow Co. et al. and Dowagiac Manufacturing Co. v. Ernest F. Smith and Luppo W. Zimmer, decided by the Supreme Court of the United States January 11, 1915).

IV.

It erred in holding that the complainant could recover the entire profits made by defendant on "American Lady" shoes in classes 2 and 3, notwithstanding

that each and every pair of such shoes was "sold and delivered to its customers in a carton, each of which cartons bore prominently on the lid thereof in white letters on a black background the words 'Hamilton, Brown Shoe Co.'s American Lady', while at the front end of each of said cartons appeared the name "American Lady' " in association with the words "Hamilton, Brown Shoe Company, Makers," and that the shoes included in class 2 were marked, on the sole of each shoe, with defendant's belt trade-mark bearing the name "Hamilton, Brown Shoe Co." on the belt and the name "American Lady" in the center of the belt.

V.

It erred in refusing to allow the defendant as a part of the expense of manufacturing and selling its American Lady shoes, in diminution of its profits thereon, the amount of money expended by it in advertising which "had reference exclusively to American Lady shoes", interest on that part of its capital which "was devoted exclusively to the American Lady line of shoes", and other items, all of which entered into the cost of manufacturing the shoes, the said items being as follows:

Advertising	$186,278.68
Interest on capital	63,364.45
Taxes	10,974.99
Insurance	4,933.02
Depreciation of real estate	12,508.06
Discount to Boston house	10,271.69

IN THE

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1914.

No. 311.

HAMILTON, BROWN SHOE COMPANY,
Petitioner,

vs.

THE WOLF BROTHERS AND COMPANY,
Respondent.

BRIEF FOR PETITIONER.

This is a suit in equity brought by The Wolf Brothers and Company of Cincinnati, Ohio, against the Hamilton, Brown Shoe Company of St. Louis, Missouri. The bill of complaint was filed January 29, 1906 (Rec., p. 203). In its bill of complaint the complainant (respondent) alleged that it was the owner of a trademark consisting of the words "The American Girl", as applied to women's shoes and of a catch phrase consisting of the words, "A shoe as good as its name", and certain style numbers used to designate the styles of its shoes in its catalogues. It charged your petitioner with infringement of its rights by using the

words "American Lady", as applied to women's shoes, and also by the use of certain catch phrases and style numbers.

After a hearing upon the bill, answer and evidence, complainant's bill was dismissed. Complainant appealed from this decree to the Circuit Court of Appeals for the Eighth Circuit. The Circuit Court of Appeals, in an opinion by Judge Munger, concurred in by Judge (now Mr. Justice) Vandeventer (165 Fed. Rep. 413; Rec., p. 406), reversed the decree of the Circuit Court, holding: That while the complainant was not entitled to a trade-mark in the words "The American Girl", for the reason that they were "descriptive merely" and "were not the subject of a valid trade-mark", yet it was "entitled to protection" from the use of the name "American Lady" by the defendant "in a manner and under circumstances constituting unfair trade, the essence of the rule being that one person shall not in the sale of his goods so act as to lead the public to believe that they are the goods of another. * * * That the words 'The American Girl' and 'American Lady' are so similar as to cause confusion," and, therefore, while the defendant is entitled to use the name "American Lady" "or any similar term, they could do so only on condition that they accompanied it with such distinguishing marks or matter as would plainly indicate that it was not being used with its secondary signification; that is, as pointing to the complainant as the manufacturer of the shoes to which it was applied." That the complainant was entitled to an injunction and to "an accounting limited to the time since the commencement of this suit" (January 29, 1906).

Thereafter the complainant petitioned this Court for

a writ of *certiorari* to review that decision of the Court of Appeals (Rec., p. 612). That petition was denied (214 U. S. 514).

The defendant then tendered to the complainant the sum of one dollar "in full settlement of all damage and profits which the complainant may be entitled to recover on the accounting" (Rec., p. 426). That tender was refused. Thereafter, November 15, 1909, the decree of the Circuit Court, under the mandate of the Court of Appeals, was entered (Rec., p. 450), reading as follows:

> "The mandate of the United States Circuit Court of Appeals for the Eighth Circuit on the appeal of the plaintiff from the decree entered herein on February 3, 1908, and the opinion of said Court of Appeals having been filed in this court, it is now, in pursuance of said mandate and opinion, ordered, adjudged and decreed as follows:
>
> "(1) Said decree entered herein on February 3, 1908, is set aside.
>
> "(2) The defendant, Hamilton, Brown Shoe Company, its servants, agents, officers and employes, are perpetually enjoined from using the name 'The American Lady' as applied to its shoes for women, when not accompanied with other matter clearly indicating that such shoes are of its own manufacture, and therefore not of the manufacture of the plaintiff, The Wolf Brothers and Company, and from using in connection with such name, as applied to its shoes for women, the numerals 403, 404, 407, 408 or 397, or the catchphrase 'With the character of the woman' or any other phrase in simulation of the phrase 'A shoe as good as its name'.
>
> "(3) The costs up to and including the entry of this decree are adjudged against the defendant, and execution therefor is awarded.

"(4) This case is referred to H. H. Denison, Esq., as Master, upon the evidence already taken in this case and the exhibits in evidence in this case, and such further evidence as may be offered before the Master by the parties to this action, to ascertain and report the damages, since the commencement of this suit, which the plaintiff has suffered, and the profits, since the commencement of this suit, for which the defendant may be liable, said accounting of damages and profits to be limited to shoes sold by the defendant since the filing of the bill in this case and which were marked with the name 'The American Lady' and not accompanied with any other matter clearly indicating that such shoes were of the manufacture of the Hamilton, Brown Shoe Company.

DAVID P. DYER,
Judge.

Nov. 15, 1909."

An accounting was then had, extending from January 29, 1906 (the date of "the commencement of this suit") to March 10, 1910.

Agreed statements of facts, in the form of two stipulations, were entered into by the parties on the accounting and are to be found at pages 827-833 and 895-903 of the record. Those stipulations were entered into "for the purpose of shortening the taking of proofs before the Master", and they cover the facts so thoroughly that, with the exception of the report of the expert accountant, Kribben (Rec., pp. 846-867), it is unnecessary to consider any other portion of the voluminous record in arriving at a decision on the accounting.

By these agreed statements of facts it was shown that the defendant is engaged in the manufacture and

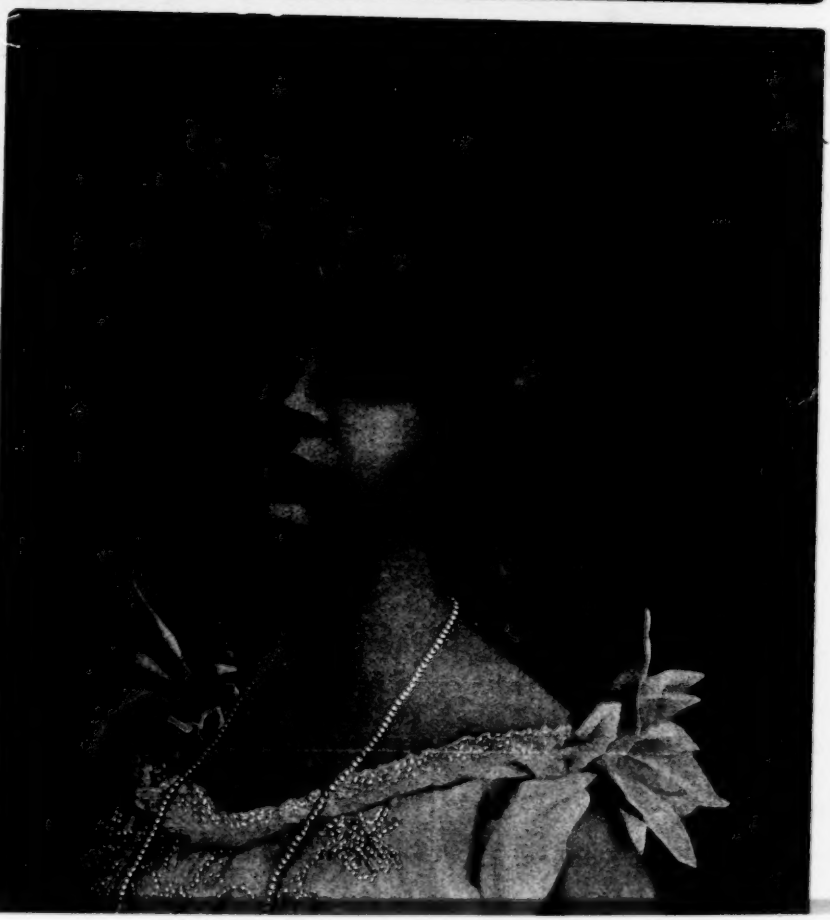
sale of shoes at St. Louis, Missouri, exclusively at wholesale; that all of the shoes sold by it under the name "American Lady" were manufactured in what is known as its "American Lady" factory; that every pair of "American Lady" shoes manufactured and sold by the defendant during the period of the accounting was sold and delivered by it to its customers in **a carton, upon the lid of which appeared prominently the words "Hamilton, Brown Shoe Co.'s American Lady" and upon the end of which carton appeared the name "American Lady" in association with the name and word "Hamilton, Brown Shoe Company, Makers,"** on the belt trade-mark of defendant; duplicates of said lid and end labels being hereto attached:

(End Label.)

American Lady

(Lid Label.)

HAMILTON-BROWN
SHOE Co's



Those stipulations also showed that during the period of the accounting 2,529,495 pairs of American Lady shoes were sold, divided according to their markings as follows:

(1) 593,872 pairs were marked on the sole of each shoe with defendant's belt trade-mark, with the name "Hamilton-Brown Shoe Co." on the belt and the name "American Lady" in the center of the belt, one shoe of each pair having a silk top facing which had woven thereon the name "American Lady", the defendant's belt trade-mark, with the name "Hamilton-Brown Shoe Co." thereon and the word "Makers" in the center of the belt, a duplicate of said sole mark, stamped on cardboard and marked Exhibit "A", being found at page 433 of the Record, and a duplicate of said top facing being found opposite page 833 of the Record.

(2) 961,607 pairs were marked on the sole of each shoe as in class (1) above, with defendant's belt trade-mark, with the name "Hamilton-Brown Shoe Co." on the belt and the name "American Lady" in the center.

(3) 974,016 pairs were marked on the sole of each shoe with the name "American Lady".

All of these shoes were sold and delivered by the defendant to its customers in cartons marked as described above.

There was no evidence that the plaintiff has suffered any damage—no evidence that it ever lost a single customer by reason of the defendant's conduct. This was admitted by the complainant in its brief before the Master (Rec., pp. 483, 957); it was the finding of the Master (Rec., p. 489); it was the finding of the Circuit Court (Rec., p. 1110, 192 Fed. 935); it was

the finding of the Court of Appeals in its prevailing opinion (Rec., p. 1121, 206 Fed. 619), and also the finding of Judge Hook in his dissenting opinion (Rec., p. 1121, 206 Fed. 619).

In the complainant's brief before the Master, which is reproduced in the record (Rec., p. 957), and which is also quoted from in the Master's report (Rec., p. 483), it is expressly stated that

> "complainant has not attempted to introduce any specific proof as to the amount of its damages."

In his report the Master referred to this statement (Rec., p. 483), and then stated (Rec., p. 489):

> "No testimony has been introduced before me in this case to establish damages since the filing of the bill, as distinguished from profits. All the testimony throughout the hearing, as well as the stipulations of the parties, has been directed to the question of profits alone."

The learned Judge who heard this case at the Circuit held (Rec., p. 1110) that there is no evidence tending to show that any of the defendant's shoes were ever sold as and for the complainant's shoes or that the complainant "lost a single customer by reason of anything done by the defendant".

In the prevailing opinion of the Court of Appeals it was held (Rec., p. 1121) that "no special damages apart from profits are shown".

In his dissenting opinion Judge Hook pointed out (Rec., p. 1121) that "the plaintiff offered no proof of damage".

The Master recommended that the complainant be given a judgment for the **entire profits** made by the de-

fendant upon the shoes included within classes 2 and 3 above and which he estimated at $445,311.55. The profits as thus estimated by the Master included the entire profit from the manufacture and sale of those shoes, "including all profits from" dressing and treating the leather and from every other operation necessary to convert the raw leather into the finished shoe, and, to use the language of this Court in Dobson v. Hartford Carpet Co., 114 U. S. 444, "thus regarding the entire profits as due to the name, 'American Lady.'"

The Circuit Court, in an able and well-considered opinion (Rec., pp. 1104-1112, 192 Fed. 930), set aside the Master's report on exceptions filed by the defendant, and entered judgment in favor of the respondent for nominal damages only. In that opinion the Court said (Rec., p. 1110):

> "The record in this case is absolutely barren of evidence tending to show that any individual purchased a pair of shoes marked 'American Lady', believing at the time of the purchase he was getting the 'American Girl'. There is no evidence in the record tending to prove that the defendant or any of its customers ever offered for sale any shoe marked 'American Lady' as and for the 'American Girl'. There is no evidence in the record tending to prove that a single pair of shoes marked 'American Lady' was ever taken from the carton in which they were enclosed before sale. There is no evidence in the record that the complainant's output was curtailed in the least by the sale of the 'American Lady', nor is there any evidence that complainant lost a single customer by reason of anything done by the defendant or any of its customers. If the Court correctly understood counsel for the complainant, no claim to the contrary of these facts was made."

From that judgment The Wolf Brothers and Company prosecuted an appeal to the Circuit Court of Appeals, where, by a divided Court, the judgment was reversed and the lower court ordered to enter a judgment against your petitioner for $445,311.55. It is for the purpose of having that action of the Court of Appeals reviewed by this Court that a writ of *certiorari* was asked for in this case.

Before stating the points which we desire to present as ground for reversing the decision of the Court of Appeals, we beg to submit the following review, in parallel columns, of the facts concerning the business of the complainant and the defendant for the purpose of showing how unjust it would be to give to the complainant the benefit of the **entire profits** made by the defendant through its large capital, its great fame as a manufacturer, its extensive advertising and the skill of its organized operators:

Complainant's Business.	**Defendant's Business.**
Purchased from Dana-Lytle Shoe Co. in May, 1898, its entire business, "consisting of machinery, lasts, dies and patterns, good will and their trade-mark which was known as 'The American Girl', for $3,000.00" (Rec., pp. 38, 122-125).	Business was established in 1872 and in 1897 its sales amounted to $5,000,000.00 (R., p. 321, Q. 27).
There is nothing to show that any new capital in addition to the $3,000 paid to Dana-Lytle Shoe Co. in 1898, was ever put into the	Up to December 17, 1907, when its capital was increased to $3,500,000, the defendant had invested in its business, over

complainant's business, although when forming the corporation in 1905 the assets of the firm were sold to the corporation—in exchange for its capital stock—for $250,000 (Rec., pp. 125-126).

During the period from May, 1898, to January, 1906, the annual sales of "The American Girl" shoes amounted to $250,000 (Rec., p. 207), and during the year 1906 its sales amounted to $250,000 (R., p. 61, Q. 26).

Dec. 28, 1906, Samuel B. Wolf, president of complainant, testified that the value of the name "The American Girl" as a trademark was then "over $5,000" (R., p. 40).

December 29, 1906, James J. Wolf, vice-president of complainant, testified that the value of the good will of the complainant was "over $10,000" (R., pp. 65-66).

From May, 1898, to January 29, 1906, complainant expended in advertising the name "The American Girl", the pic-

and above borrowed moneys, $2,500,000 (R., p. 902).

During the year 1897 the total sales of the defendant amounted to $5,000,000 (R., p. 321, Q. 27), for the year 1905 they amounted to $9,500,000 (R., p. 353, Q. 11), and during the year 1906 they amounted to in excess of $11,000,000 (R., p. 353, Q. 11), and during the year 1906 the sales of the American Lady shoe alone amounted to more than $1,000,000 (for 10½ months it was $983,698—(R., p. 828).

The first case of American Lady shoes was shipped from the factory November 7, 1900 (R., p. 313, Q. 5), and from that time

ture of a young lady, and the catch-phrase "A shoe as good as its name", the sum of $50,000 (R., pp. 207-8), and the testimony of James J. Wolf (R., pp. 62-63, Q. 33; R., p. 113, Q. 9), shows that from January 29, 1906, to December 29, 1906, complainant expended in advertising the sum of $5,000.

up to January 1, 1906, the defendant expended in advertising the American Lady shoes $150,000, or about $30,000 annually (R., p. 353, Q. 15). During the period of the accounting the defendant expended on account of advertising which referred exclusively to the American Lady shoes, $331,000, or more than $80,000 annually (R., p. 523).

In Browne on Trade-Marks the principle is laid down which we believe pertinent to the facts and circumstances of this case as shown above, where, at page 391, section 514, it is said:

> "A patentee is presumed to have employed genius, or talent, at least, and to have expended time and money upon his invention; and in consideration thereof he is allowed, for a limited time, a monopoly of the thing invented. No one else in the country which grants the patent has a right to vend or use the article. All profits from its sale or use belong to the patentee or his assigns. The trade in it is absolutely his during the lifetime of the patent. Not so the traffic in merchandise to which a trade-mark may be attached; for a thousand persons may have a perfect right to manufacture and sell the same class of goods, and of the same quality and value, and yet but one person have a right to impress those goods with a certain peculiar symbol. *It might be that the infringer has facilities for selling a hundred times as much as he whose mark is imitated.*

Would the small dealer be entitled to receive as damages a hundred times as much profit as he could possibly have made? Reason forbids it. Courts would regard such a rule in a trade-mark case as extravagant and mischievous."

That this same principle applies to a case based upon unfair competition in trade, see Rushmore v. Badger (2d C. C. A), 198 Fed. 379; dissenting opinion of Judge Hook in this case, 206 Fed. 620.

POINTS FOR REVIEW.

The points which we desire to present as a ground for reversal of the decision of the Court of Appeals in this case are as follows:

(1) The Court of Appeals erred in directing judgment against petitioner (defendant below) for $445,311.55 profits found to have been made by petitioner (defendant) in its manufacture and sale of shoes, without any proof that any one had purchased goods marketed by petitioner (defendant), under the belief that they were the product of the respondent, or that respondent had lost a single customer by the petitioner's (defendant's) conduct.

(2) It erred in holding there could be a recovery of defendant's profits in an accounting based upon unfair competition. There can be no recovery of the defendant's profits in an action based upon unfair competition. Plaintiff's recovery is limited to his injury and consequent damage. He can recover such damages only as he shows he has sustained by the loss of trade which he otherwise would have had but for the defendant's sale of its goods as and for the plaintiff's goods. The complainant's right to recover profits in cases of pat-

ents and strict trade-marks rests upon the ground of complainant's property right in them and the defendant's unlawful use thereof, as in case of a trustee who has wrongfully used trust property to his own advantage. This rule has no application in a case which does not involve the use of another's property from which a definite profit is derived. If a wrongdoer makes no profit from the use of another's property, there can be no recovery of profits (Elizabeth v. Pavement Co., 97 U. S. 126). Cases of unfair trade do not involve the element of the use of another's property; they involve only fraud and deception, through and by means of which the wrongdoer induces others to buy his goods as and for the goods of another, to the damage of such other (Sharpless v. Lawrence, 213 Fed. 423).

(3) It not only erred in holding there is an analogy between patent and trade-mark cases and cases of unfair competition, but it also misconceived and misapplied the rule applicable to patent and strict trade-mark cases. In patent cases the complainant is not entitled to recover the entire profit made by the defendant from the manufacture and sale of the article, but only such profits as it is shown defendant made "by the use of the plaintiff's invention", that is, the gains, savings and advantages derived by the defendant by reason of the infringement, or, in other words, the amount proved to have been contributed to the defendant's profits by the use of the infringing device (Westinghouse Co. v. Wagner Co., 225 U. S. 620; Dowagiac Manufacturing Co. v. Minnesota Moline Plow Co. *et al.* and Dowagiac Manufacturing Co. v. Ernest F. Smith and Luppo W. Zimmer, decided by the Supreme Court of the United States January 11, 1915).

(4) It erred in holding that the complainant could recover the entire profits made by defendant on "American Lady" shoes in classes 2 and 3, notwithstanding that each and every pair of such shoes was "sold and delivered to its customers in a carton, each of which cartons bore prominently on the lid thereof in white letters on a black background the words 'Hamilton, Brown Shoe Co.'s American Lady', while at the front end of each of said cartons appeared the name 'American Lady'" in association with the words "Hamilton, Brown Shoe Company, Makers," and that the shoes included in class 2 were marked, on the sole of each shoe, with defendant's belt trade-mark bearing the name "Hamilton, Brown Shoe Co." on the belt and the name "American Lady" in the center of the belt.

(5) It erred in refusing to allow the defendant as a part of the expense of manufacturing and selling its American Lady shoes, in diminution of its profits thereon, the amount of money expended by it in advertising which "had reference exclusively to American Lady shoes", interest on that part of its capital which "was devoted exclusively to the American Lady line of shoes", and other items, all of which entered into the cost of manufacturing and selling the shoes, the said items being as follows:

Advertising	$186,278.68
Interest on capital	63,364.45
Taxes	10,974.99
Insurance	4,933.02
Depreciation of real estate	12,508.06
Discount to Boston house	10,271.69

I.

UNFAIR COMPETITION "SINCE THE COMMENCEMENT OF THIS SUIT" WAS NOT SHOWN.

The term "unfair trade" or "unfair competition" has a certain and definite meaning in law. Under the decisions of this Court and numerous Courts of Appeal:

> "Unfair competition consists in the sale of the goods of one manufacturer or vendor for the goods of another, and if defendant so conducts its business as not to palm off its goods as those of complainant, the action fails."
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> Howe Scale Co. v. Wyckoff, 198 U. S. 140;
> Standard Paint Co. v. Trinidad Asphalt Mfg. Co., 220 U. S. 461;
> Elgin National Watch Co. v. Illinois Watch Co., 179 U. S. 665;
> Brown Chemical Co. v. Meyer, 139 U. S. 540;
> Goodyear Co. v. Goodyear, 128 U. S. 598;
> Baker v. Baker, 115 Fed. 299, 2d C. C. A.;
> Rowley Co. v. Rowley, 193 Fed. 390, 393, 3d C. C. A.;
> Rathbone, Sard & Co. v. Champion Co., 189 Fed. 26, 6th C. C. A.;
> Merriam Co. v. Ogilvie, 170 Fed. 167, 1st C. C. A.;
> Appollo Bros. v. Perkins, 207 Fed. 530, 533, 3d C. C. A.;
> Rushmore v. Badger, 198 Fed. 379, 2d C. C. A.;
> Also see Dyer Quarry Co. v. Schuylkill Stone Co., 185 Fed. 557.

This same rule is stated in various ways in the cases cited, the above statement of the rule being from the opinion of this Court in the case of Howe Scale Co. v. Wyckoff, 198 U. S., at page 140. This statement of the rule is almost identical with the rule as laid down by

this Court in the case of Standard Paint Co. v. Trinidad Asphalt Mfg. Co., 220 U. S. 461, and Elgin National Watch Co. v. Illinois Watch Co., 179 U. S. 665, and with the language of the Court of Appeals on the first appeal in this case (Rec., p. 409).

In the case of Goodyear v. Goodyear, 128 U. S. 598, 604, the complainant claimed that the defendant had been guilty of unfair competition in using the descriptive name "Goodyear" applied to rubber goods. In that case this Court laid down the rule applicable to cases of unfair trade as follows:

> "Relief in such cases is granted only where the defendant by his marks, signs, labels or in other ways, represents to the public that the goods sold by him are those manufactured or produced by the plaintiff, thus palming off his goods for those of a different manufacturer, to the injury of the plaintiff."

In Brown Chemical Co. v. Meyer, 139 U. S. 540, 547, the complainant sought to prevent the defendant from using the words "Brown's Iron Bitters" on a patent medicine. In deciding that case this Court said:

> "If the words 'Iron Bitters' cannot be lawfully appropriated as a trade-mark, it is difficult to see upon what theory a person making use of these or similar words can be enjoined. We understand it to be conceded that these words do not in themselves constitute a trade-mark; it follows then that another person has the right to use them, unless he uses them in such connection with other words or devices as to operate as a deception upon the public."

In Elgin National Watch Co. v. Illinois Watch Co., the complainant claimed the exclusive right to the use

of the geographical name "Elgin" as applied to watches, and this Court there laid down the rule that in unfair competition (179 U. S. 674):

> "The essence of the wrong consists in the sale of the goods of one manufacturer or vendor for those of another."

In the case of Howe Scale Co. v. Wyckoff Co., 198 U. S. 118, 140, the complainant charged the defendant with unfair competition in trade by the use of the name "Remington" as applied to typewriters. This Court pointed out that the defendant had a right to use the name "Remington" as a part of its corporate name, and since there was no showing that the defendant's goods had been sold as and for the plaintiff's goods, the plaintiff was not entitled to recover. And this Court said:

> "The essence of the wrong in unfair competition consists in the sale of the goods of one manufacturer or vendor for those of another, and if defendant so conducts its business as not to palm off its goods as those of complainant, the action fails."

Also in the case of Standard Paint Co. v. Trinidad Co., 220 U. S. 446, 461, the complainant charged the defendant with infringement of a trade-mark and unfair competition by the use of a word which this Court held did not constitute a valid trade-mark, and which, therefore, both parties had a right to use. This Court held that the defendant had not been guilty of unfair competition in trade, because as it stated:

> "The essence of such a wrong consists in the sale of the goods of one manufacturer or vendor for those of another. Such a wrong is not established against the asphalt company."

The rule as thus laid down by this Court in the cases cited has been followed by a number of the Courts of Appeal, particularly by the Courts of Appeal for the First, Second, Third and Sixth Circuits, and also by the Court of Appeals for the Eighth Circuit in the case of Trinidad Company v. Standard Paint Co., 163 Fed. 977, which was afterwards affirmed by this Court on appeal.

In the case of Baker v. Baker, 115 Fed. 297, 299, the Court of Appeals for the Second Circuit had before it a case in which the complainant charged the defendant with unfair competition in the use of the name "Baker", as applied to cocoa and chocolate, and the complainant sought to recover the profits made by the defendant in the sale of his goods. In disposing of this question in that case, the Court of Appeals said (115 Fed. 299):

> "The evidence upon the accounting failed to disclose that the complainant was entitled to any recovery of profits, or any except nominal damages, by reason of the defendant's conduct. It failed to disclose that a single person had purchased goods marketed by the defendant, supposing them to be the product of the complainant, or that the complainant had lost a single customer by the defendant's conduct."

To the same effect is the decision of the Circuit Court of Appeals for the Second Circuit in the case of N. K. Fairbank Co. v. Windsor, 124 Fed. 200, reversing the decision of the Circuit Court, in which it was held that the mere use of the forbidden package, without more, constituted unfair competition.

In the case of Dr. A. Reed Cushion Shoe Co. v. Frew, 158 Fed. 552, the Court issued an injunction prescribing

the limits within which the defendant would be permitted to use his own name in his business. It held that in that case

> "the palming off of a spurious Dr. Reed shoe for the genuine article is unfair dealing in trade,"

but it denied an accounting because (page 557)

> "it would be difficult to satisfactorily establish that the purchasers of the cushion-sole shoes of the defendant, the E-Z Shoe Company, and dealers would not have bought them had they known such shoes were not manufactured under the original Reed patents."

On appeal to the Circuit Court of Appeals for the Second Circuit the injunction was modified, the Court saying (162 Fed. 891):

> "It is urged, however, that any use by the defendants of Dr. Reed's name will cause confusion, that purchasers may still be misled, and that unscrupulous dealers are furnished with a ready means for deceiving. But the defendants cannot be held responsible for the deception of others. The complainant chose to adopt as a trade-name the name of a living person, when innumerable distinctive names were open to it. It is entitled to full protection against fraud and deceit, but it is not in a position to complain of mere confusion,"

and it approved the decision of the lower court denying an accounting.

In the case of Merriam Co. v. Ogilvie, 170 Fed. 167, the Circuit Court of Appeals for the First Circuit had before it a case in which the defendant was charged with unfair competition by the use of the name "Webster's" as applied to dictionaries. The Court pointed

out that both parties were entitled to use the name "Webster", as applied to dictionaries, and it held that the complainant was not entitled to an accounting of the profits made by the defendant, because of the impossibility of showing what proportion of those profits resulted from the illegitimate use of the word.

In the case of Rathbone, Sard & Co. v. Champion Co., 189 Fed. 26, the Circuit Court of Appeals for the Sixth Circuit had before it a case in which the defendant was charged with unfair competition in the use of certain distinguishing marks applied to stoves. In that case the Court of Appeals reveiwed at length the decisions of this Court and other Courts of Appeal and quoted the rule as laid down by this Court in the Goodyear case and also in the Howe Scale Company case, and it held that in that case the complainant

> "failed to establish a case of unfair competition, for lack of proof that defendant has palmed off his goods upon the public as the goods of complainant."

In the case of J. F. Rowley Co. v. Rowley, 193 Fed. 390, the complainant charged the defendant with unfair competition in the use of the name "Rowley". The Circuit Court of Appeals for the Third Circuit granted an injunction against the defendant to restrain him from using the word "Rowley", except when

> "accompanied by explanatory words sufficient to clearly distinguish the goods manufactured by him from the goods of the complainant,"

and an accounting was ordered. On the accounting the Master found that the

> "complainant has not offered any proof upon this accounting to show that any one purchased artifi-

> cial legs from the respondent, supposing them to be the goods of the complainant, or that any sales were lost to complainant by reason of the alleged unfair competition of respondent."

He, therefore, found that the complainant was only entitled to recover nominal damages. The Circuit Court overruled the exceptions to the Master's report, and, on appeal, the Circuit Court of Appeals for the Third Circuit affirmed the decision of the Circuit Court and held that under the circumstances the complainant was not entitled to recover more than had been allowed by the Master—nominal damages.

To the same effect see the decision of the Circuit Court of Appeals for the Third Circuit in the case of Appollo Bros. v. Perkins, 207 Fed. 530, 533. In that case both parties used a name which was not the subject of a valid trade-mark. The first user charged the defendant with unfair competition by the use of the name. The Court of Appeals held that (page 533)

> "inasmuch as no absolute ownership in or exclusive right to use such name as a trade-mark vests in any one, the rights obtained by the first user are not infringed by the mere use of such mark, by a competitor, even though such use is in association with competing goods. In such a case the second user becomes an infringer only when he makes an unfair use of such name. Not any competition, but only unfair competition, on the part of such user is actionable."

Citing the case of Elgin National Watch Co. v. Illinois Watch Co., 179 U. S. 674, in which this Court held that in unfair competition

> "the essence of the wrong consists in the sale of

> the goods of one manufacturer or vendor for those of another."

The Court of Appeals then pointed out the distinction between trade-mark cases and cases of unfair competition, as follows (207 Fed. 533):

> "A technical trade-mark, registered or unregistered, is treated as property, and an infringement thereof carries with it the presumption of fraud; but where no such exclusive right to the use of such trade-mark exists, a technical trade-mark right is not established, and fraud—unfair competition—in the use of the mark must be proved."

In the case of Newcomer & Lewis v. Scriven Co., 168 Fed. 621, the Circuit Court of Appeals for the Sixth Circuit, in an opinion by Judge Lurton, held that as it was not shown

> "that any customer was misled into buying garments as made or sold by the Scriven Company which were made by others",

the defendant was not guilty of unfair competition in trade.

In the case of Rushmore v. Badger Brass Mfg. Co., 198 Fed. 379, the Circuit Court of Appeals for the Second Circuit considered a case in which the complainant charged the defendant with unfair competition in trade. An injunction was granted, but on the question of an accounting the Court of Appeals held that:

> "To award another profits made on the sales of defendant's lamps, without proof of actual fraud on its part, would be inequitable. * * * It seems to us unfair that the complainant should recover profits on the sale of lamps by the defendant to

> persons who never heard of Rushmore, and were well aware that the lamps they bought were made by the defendant, and who bought them because they were so made. A decree for profits and damages does not necessarily follow a decree for an injunction. * * * We think the accounting should be limited to sales where it is shown by direct or presumptive evidence that the complainant would have sold the lamps but for the sale by the defendant."

From the decisions referred to it is manifest, we believe, that the established rule is that unfair competition

> "consists in the sale of the goods of one manufacturer or vendor for those of another, and if defendant so conducts its business as not to palm off its goods as those of complainant, the action fails" (198 U. S. 140).

That this was clearly understood by the majority of the Court of Appeals (Vandeventer and Munger) on the first appeal, and that it was this rule which that Court intended to apply to this case, is clearly apparent from the fact that in defining the rights of the parties the majority opinion uses the exact language of this Court in the cases cited, when in its opinion it held (Rec., p. 409) that although the complainant was not entitled to a trade-mark right in or the exclusive use of the name and numerals in question,

> "yet it is entitled to protection from their use by the defendant in a manner and under circumstances constituting unfair trade; *the essence of the rule being that one person shall not, in the sale of his goods, so act as to lead the public to believe that they are the goods of another.*" (Italics ours.)

That the limit of its rights under that decision of the Court of Appeals was a right to be protected from unfair competition and that the complainant so understood that opinion is clearly apparent from its "Statement of the Case" in its petition for a writ of *certiorari* to review that decision, in which it said (Rec., p. 613):

> "The Circuit Court dismissed the bill. The Court of Appeals reversed the decree, and enjoined the defendant from infringing the words 'The American Girl' *in a manner and under circumstances constituting unfair trade*, but the Court refused to protect the words as a trade-mark." (Italics ours.)

It is established, therefore, that the limit of the complainant's right in this case consisted in the right to protection against the use of the name "American Lady" by the defendant "in a manner and under circumstances constituting unfair trade", *i. e.*, from the sale of "American Lady" shoes to the public under the belief that they are the complainant's "American Girl" shoes.

The cases cited make it absolutely clear that in an action based upon unfair competition in trade "if defendant so conducts its business as not to palm off its goods as those of complainant, the action fails" (198 U. S. 140). In this case there is no evidence that a single pair of the defendant's shoes were ever sold as and for the complainant's shoes—no evidence that it ever palmed off its goods as those of complainant—no evidence that the complainant had suffered any damage—no evidence that it ever lost a single customer by reason of the defendant's conduct.

Therefore, it follows, we respectfully submit, that inasmuch as

> "defendant so conducts its business as not to palm off its goods as those of complainant, **the action fails**",

and that the decision of the Court of Appeals, giving complainant the defendant's profits to the amount of $445,311.55 is erroneous and should be reversed.

II.

PROFITS CANNOT BE RECOVERED IN A CASE BASED UPON UNFAIR COMPETITION.

This is a case of alleged unfair competition in business. It is an action on account of alleged fraudulent conduct on the part of defendant to plaintiff's injury; it is not a trade-mark or a patent case. The plaintiff can recover such damages only as it shows it has sustained, or such profits as defendant has made, by reason of the alleged unfair competition. It must show: (a) that it has lost trade which it otherwise could have had but for defendant's alleged wrongful acts; or (b) that defendant sold its goods to the trade as and for the plaintiff's with the belief at the time of the purchase on the part of the trade that it was purchasing plaintiff's goods and not those of defendant. The application of any other rule would impose a penalty, which the Court in this action has no jurisdiction to impose.

The Court, in cases of this kind, performs, in taking an accounting, the function of a jury in a court of law. It awards damages only as an incident to its equitable jurisdiction. Instead of confining itself to the administration of equitable relief only, it also administers

the legal relief, upon the principle that when a court is possessed of jurisdiction of the subject-matter and the parties, it should decide all controverises between them relating to the subject-matter of the suit and thus end the contest. It acts, in the ascertainment of damages, upon the same principles of law and evidence as a court of law would in a purely legal action, except where a statute allows a broader scope to the exercise of its jurisdiction. (Root v. R. R., 105 U. S., *l. c.* 200.) The statutes expressly provide for the recovery of profits for infringement of patent rights. It was long held, until rules of equity made provision to the contrary, that a court of equity in foreclosing a mortgage could not render judgment for the balance of the debt.

A strict trade-mark is recognized and protected by law as a property right, just as are patents, and, in analogy to patent rights, some courts have awarded profits in equity where there was no other method available, as compensation for infringement.

After all, profit is but one classification or species of damages in patent and strict trade-mark cases, and it has no place in any case in which the use by one of **another's property** from which he derives a definite profit is not involved. If a wrong-doer makes no profit from the use of another's property, there can be no recovery of profits. (Elizabeth v. Pavement Co., 97 U. S. 126.) But cases of unfair trade do not involve the element of the use of another's property; they involve only fraud and deception, through and by means of which the wrong-doer induces others to buy **his property as and for the property of another, to the damage of such other.**

In this connection it must also be borne in mind that it is unnecessary, in actions **in equity** for injunctive

relief only, that proof be made of persons having been actually deceived and having bought goods under the belief that they were the manufacture of the plaintiff, provided the court is satisfied that the resemblance is such as would be likely to cause the one mark to be mistaken for the other. But where plaintiff has no property right—as in a true trade-mark or patent—and brings an action at law for unlawful competition—that is, so selling or dressing his goods as to palm them off on the public as and for the goods of plaintiff—he must prove that defendant did actually palm off his goods as and for the goods of plaintiff and the extent of injury which he has suffered by that wrongful action of the defendant. **It is an action on the case of fraud and deceit.**

This will be quite apparent if we construct a declaration in an action at law for damages in a case of unfair competition in trade, bearing in mind that it does not involve the **right** to use a particular mark or dress for goods but the **manner** of use.

Geographical and descriptive names are not the subject of exclusive appropriation as trade-marks, and hence any one may use such a name, so long as he does not use it in such a manner as to palm off the goods of his manufacture as those of another, to the latter's injury (see 198 U. S., at p. 140). Where one uses such a name fraudulently, to the deception of the customers of another manufacturer or vendor, he must respond in tort for such fraud and deception.

We now proceed with the form of declaration in such a case:

> Plaintiff avers that since the ..... day of ....., 19..., he has used in connection with the manufacture of shoes the name "The

American Girl", and that by such use shoes so marked identify him as the manufacturer thereof; that defendant, well knowing that plaintiff had so appropriated said name to designate shoes bearing such name as those manufactured by the plaintiff, and with intent to falsely identify himself and his business with that of plaintiff and to fraudulently and deceptively palm off his goods upon the purchasing public as and for plaintiff's goods, and thereby to obtain trade and custom of those who otherwise would purchase plaintiff's goods, and with intent to obtain fame and reputation of the plaintiff, did on the .... day of ....., and has from thence hitherto been making and manufacturing shoes and marking them "American Lady", so as to make it deceptively appear that the said shoes were made and offered for sale by the plaintiff, and that said defendant has sold said fraudulent shoes as and for the plaintiff's genuine "The American Girl" shoes, and thereby has induced the public, by the use of said trade name, to purchase defendant's shoes as and for the shoes of plaintiff's manufacture, to the plaintiff's damage in the sum of four hundred and forty-five thousand dollars.

Wherefore, plaintiff prays judgment for the said sum of four hundred and forty-five thousand dollars.

It is perfectly apparent that a declaration in such a case, to be good, must contain all of the elements which we have stated. It is trite to observe that everything necessary to be alleged must be proved as alleged. Therefore, from an analysis of this declaration, we discover that these things must each suc-

cessively follow, before the plaintiff will be entitled to recover:

First. A design to defraud.

Second. The adoption of means reasonably calculated to make the design effective.

Third. That the design and means were effective.

Fourth. The consequent pecuniary injury to the plaintiff.

Now, the injury to the plaintiff, which is his damage, is the extent to which the plaintiff may be able to prove the defendant has sold, under this fraudulent design, his goods as and for the goods of the plaintiff, and the measure of recovery in that case would be the number of shoes which the defendant sold under that name and under that disguise, **which the plaintiff would otherwise have sold.** If the proof in that case showed that every one who purchased the defendant's shoes knew that they were manufactured and sold by the defendant, there could be no recovery. If the defendant sold shoes to people who were absolutely ignorant of the existence of the plaintiff, there could be no recovery, **because in neither case would the plaintiff be damaged by the defendant's wrongful act.**

Now, if this be true, the corollary to that is inevitable, that the plaintiff must allege and show that the alleged fraud of the defendant caused its injury and that the defendant sold a certain quantity of shoes to the public as and for the plaintiff's shoes, and the public bought them upon that false representation made by the defendant. If the plaintiff must allege these things, he must prove them. If he fails in his proof of damage, and the burden is upon him, he must fail in recovering anything but nominal damages.

There is not one scintilla of testimony to show that

any one, at any time, purchased defendant's "American Lady" shoes under the belief that they were purchasing shoes made by the plaintiff and called "The American Girl" shoes. The plaintiff made no effort to produce any such proof. It made no proof that it failed to make any sales to customers because of the defendant's conduct. Indeed, the testimony shows that the plaintiff's business continued to grow in a normal manner from the very small capital with which it began the business. It has not shown that its business progress or sales have been retarded in the least by the act of defendant which is complained of. It desires to add to that normal and natural accretion in the use of its small capital (unhampered, as the proof shows, by this defendant) by placing a penalty upon the latter for the amount of profit it realized upon the sale of "American Lady" shoes, with a large investment of capital, advertising and expense. To allow this to be done would be a harsh, an unprecedently harsh, imposition.

Thus the question occurs: Did the complainant show that its customers were deceived in buying defendant's shoes for those of its manufacture? Unless the complainant has so shown, it is entitled to nothing but a nominal recovery.

In Baker v. Baker, 115 Fed. 297, Judge Wallace, speaking of this precise question in a case of unfair competition in trade, said:

> "The evidence upon the accounting failed to disclose that complainant was entitled to any recovery of profits, or any except nominal damages by reason of the defendant's conduct. It failed to disclose that a single person had purchased goods marketed by defendant supposing them to be the product of the complainant, or that the com-

plainant had lost a single customer by the defendant's conduct."

Justice Lurton, then Circuit Judge, in the case of Newcomer & Lewis v. Scriven & Co., 168 Fed. Rep. 621, said, in denying a recovery of damages:

> "But it is not shown that any customer was misled into buying garments as made or sold by the Scriven Co. which were made by others."

Judge Sanborn, speaking for the Court, said in Kann v. Diamond Steel Co., 89 Fed. Rep. 712-713:

> "A wrong done or threatened and consequent injury or probable injury to the complainant are indispensable elements with every cause of action. The intention to injure another, if no injury is done and never will be done constitutes no ground for relief. * * * There is no evidence in the record that the appellant has ever suffered any injury from any deception caused by it and there is no probability that it ever will. Such a case presents no ground for relief either at law or in equity."

In New Orleans Coffee Co., Ltd., v. American Coffee Co., New Orleans, Ltd., 49 Southern Rep., 730, 732, the Court said:

> "Furthermore, it does not appear that plaintiff was damaged in its business. Damages are not allowable unless it is proven that the defendant has so acted as to damage his competitor."

These propositions are sustained by the case of Reed Cushion Shoe Company v. Frew, 158 Fed. Rep. 552, reported on appeal at page 887, 162 Fed. Rep. In that case the Court, on the hearing below, said:

> "Furthermore, I think this case also comes under the doctrine of the Ludington Novelty Co. v. Leonard, 127 Fed. 155, 62 C. C. A. 269, where an

> accounting was denied, because in the judgment of the Circuit Court of Appeals there was grave doubt as to whether there could be substantial recovery. In this case it would be difficult to satisfactorily establish that the purchaser of the cushion-sole shoes of the defendant, E-Z Shoe Company, and dealers would not have bought them had they known such shoes were not manufactured under the original Reed patents. No accounting for damages will be allowed."

Concerning this opinion the Circuit Court of Appeals, on appeal, said (162 Fed. 887):

> "The decision of the Court denying an accounting was correct."

This case, cited in the majority opinion of the Court of Appeals as sustaining the views therein expressed, is in exact accord with the principle for which we contend and which has been laid down as the law by the above-cited authorities.

In awarding the complainant the defendant's profits to the amount of $445,311.55, the Court of Appeals, by its prevailing opinion, followed what is termed "the analogy of the patent cases", for the reason, as it stated, that (Rec., p. 1121):

> "The property rights of complainant have been invaded in such manner that the rules long recognized in patent and strict trade-mark cases should be applied."

In applying the rule for the recovery of profits in cases of patents and strict trade-marks to this case, based solely on unfair competition, the prevailing opinion of the Court of Appeals ignores the reason for the rule in those cases, which does not exist in a case of unfair competition, as was clearly pointed out in the dissenting opinion of Judge Hook (206 Fed. 619-620; Rec., p. 1122).

Every rule is founded upon a reason, and when the reason is absent the rule has no application. The reason for the rule which allows the plaintiff to recover profits made by the defendant by reason of the infringement in cases of patents and strict trade-mark is that patents and trade-marks are property of which the owner is given a monopoly by statute (and at common law, in the case of a trade-mark). It will be noted that the prevailing opinion of the Court of Appeals bases the application of the rule to this case on the statement that "the property rights of the complainant have been invaded", from which we would assume that in the absence of some reasoning by which the Court arrived at the conclusion that some property right of the complainant had been invaded, it would not have followed "the analogy of the patent cases" in this case.

Undoubtedly letters patent are property under the statute, and a true trade-mark is also property. In the case of Lawrence Mfg. Co. v. Tennessee Mfg. Co., 138 U. S. 548-49, this Court said:

> "The jurisdiction to restrain the use of a trade-mark rests upon the ground of the **plaintiff's property** in it, and of the defendant's unlawful use thereof."

Therefore, as stated above, when one infringes a patent or a trade-mark, it usues the property of the owner, and any profits made by him from such use, presumptively belong to the owner of the patent or trade-mark, and may be recovered by him in equity according to the rule applied to a trustee who has wrongfully used trust property to his own advantage.

In the language of the dissenting opinion of Judge Hook in this case (206 Fed. 620):

"An infringer carries off the property, as it were, and makes gains and profits from a use which belongs to the owner. Those gains and profits are recoverable in equity (not at law, Burdell v. Denig, 92 U. S. 716, 23 L. Ed. 764), according to the rule applied to a trustee who has wrongfully used trust property to his own advantage (Root v. Railway, 105 U. S. 189, 26 L. Ed. 975). In unfair competition the plaintiff has no such property right in his trade-name, symbol, or dress of goods. Any one can use them by making it clear to the ordinary purchaser that the articles to which they are applied are his, not plaintiff's. A wrongful use of them is a tort injurious to plaintiff's business, but it is not an appropriation of a property right of which he has a monopoly. For a wrongful injury to business, damages is the ordinary rule, and compensation the ordinary measure of recovery. The books are full of instances in which the recovery is so limited. When more than compensation is demanded, the reason must be found in statute or special circumstances; and when the latter are relied on they should be closely examined, especially when, as here, the doctrine is not fully settled in the law, but is argued upon analogy. It is not enough to say unfair competition is analogous to infringement of a trade-mark and profits are recoverable for the latter. Unfair competition is a subject of modern origin, and its development, which has been rapid, should proceed along lines of principle. Upon what theory is a plaintiff entitled to more than an injunction and compensatory damages for injury sustained—a loss of his business? Disapprobation excited by defendant's conduct will not suffice. As was said in Livingston v. Woolworth, 15 How. 546, 559, 14 L. Ed. 809: 'We are aware of no rule which converts

> a court of equity into an instrument for the punishment of simple torts.' "

This is the rule as laid down by this Court in the leading case of Lawrence Mfg. Co. v. Tennessee Mfg. Co., 138 U. S. 549, where this Court, in pointing out the difference in the rule applicable to a case of unfair trade and the rule applicable to a strict trade-mark, says:

> "Now, a trade-mark, clearly such, is in itself evidence, when wrongfully used by a third party, of an illegal act. It is of itself evidence that the party intended to defraud, and to palm off his goods as another's."

This rule, as we have seen, is based upon the complainant's right of property in the patent or trade-mark which the defendant has infringed, and, indeed, it is upon that very basis that the Court of Appeals by its prevailing opinion has endeavored to found its decision in this case. However, this same reason for the rule in the cases of patents and trade-marks, clearly such, does not exist in a case based upon unfair trade, in which no right of property is involved.

It must be borne in mind that the Court of Appeals, in its opinion on the first appeal, held that the name "The American Girl" is not the subject of a valid trade-mark, that the complainant had no exclusive property in the name "The American Girl", and that the limit of the complainant's right was a right to be protected from unfair competition in trade. Therefore, it would be absurd to say that the complainant had or could have any property right in the name here in question, inasmuch as this name was not the subject of exclusive appropriation by any one. It must also be borne in mind that the only thing which the peti-

tioner did in this case was to use the name "American Lady". Therefore, the complainant had no property right in the name "The American Girl" and the defendant invaded no property right by the mere use of the name "American Lady". A wrongful use of the name "American Lady" might have been a tort injurious to the complainant's business (of which there is no evidence in this case), but it would not be an appropriation of a property right of the complainant. Therefore, in the absence of any property right in the complainant, and an invasion thereof by the defendant, it must follow, we submit, that the only right of recovery which the complainant could possibly have would be a right to be compensated for any damage the complainant might have suffered by reason of the defendant's conduct. The damage which the complainant would suffer by reason of unfair competition by the defendant would be the profits which it would have lost on sales made by the defendant, for, as pointed out by numerous cases cited above, the essence of the wrong in a case of unfair competition consists in the sale of the defendant's goods as and for the goods of the complainant, and the complainant is entitled to be compensated for the loss of such profits. On the other hand, in the case of a patent or trade-mark where plaintiff's property has been taken, whether or not the plaintiff suffered damage in the sense that he lost a sale or sales by the defendant's act, the plaintiff is entitled to recover not merely compensation for the injury done to it, but the profits derived by the defendant from the use of the plaintiff's property.

This distinction between cases of patents and trade-marks, in which the complainant's property right is involved, and cases of unfair competition in trade, in

which no property right is involved, has been recognized by this Court and the Courts of Appeal in numerous cases. As pointed out above, this Court expressly held in the case of Lawrence Mfg. Co. v. Tennessee Mfg. Co. that there is a difference in the rule applying to the two classes of cases based upon the fact that in one case a property right is involved, while in the other case no property right is involved. In the case of Merriam Co. v. Ogilvie, 170 Fed. 169, in which the Court of Appeals for the First Circuit had reversed a decision of the Circuit Court, and ordered an injunction restraining the defendant from using the name in question in unfair competition, as was done by the Court of Appeals in this case, and in which case, after an accounting had been had, and the case again reached the Court of Appeals for the First Circuit, that Court expressly distinguished between "proper trade mark cases" and cases of unfair competition in trade, and it held that since that Court had "expressly found that there was no trade-mark", therefore there was "no concrete thing" which belonged to the complainant and which had been appropriated by the defendant. It held, therefore, that the complainant was not entitled to recover any of the profits made by the defendant.

So in this case in which the Court of Appeals had expressly held that the name "The American Girl" applied to shoes is not "the subject of a valid trade mark" (165 Fed. 415), and in which the defendant has done nothing except to use the name "American Lady", it follows, we respectfully submit, that the complainant is not entitled to recover the profits made by the defendant, there being no evidence that in a single instance defendant's shoes were palmed off to the de-

ception of the purchaser "as and for" the shoes of the complainant, for, to use the statement of the Court of Appeals for the First Circuit in the case of Merriam Co. v. Ogilvie, at p. 169 of 170 Fed., "there is no concrete thing which belongs to the complainant the value of which can be substantially determined in this action."

It must, therefore, be apparent that the true distinction between these classes of cases is that in a case of a patent or trade-mark, plaintiff's property has been taken whether or not plaintiff suffered damage in the sense that he lost a sale by the defendant's act, and, therefore, defendant must pay the profits made by reason of taking plaintiff's property; in a case of unfair competition in trade, however, property of the plaintiff has not been taken, and the plaintiff has suffered no damage except and to the extent that the defendant's goods have been palmed off as and for the goods of the plaintiff. In the former case the plaintiff may recover any damage which it suffered by reason of the defendant's conduct, and also the profits made by the defendant from the use of its property; in the latter case the plaintiff may recover any damages it may have suffered by reason of the sale of the defendant's goods as and for the complainant's goods, in which case its damages would be the amount of profits which it would have made, but for the defendant's conduct. But, there being no property right involved, the complainant is not entitled to recover profits based upon the analogy of the rule for the recovery of profits in cases of patents and strict trade marks, in which the property right of the complainant is involved and the complainant recovers the defendant's profits by virtue of the rule applying to a case in which a trustee wrongfully uses

trust property to his own advantage. We submit that in this case, based solely upon unfair competition in trade, in which the Court of Appeals expressly found that the plaintiff had not proved any damage and in which no trade-mark right is involved, the decision of the Court of Appeals awarding the complainant the partitioner's profits to the amount of $445,311.55, is erroneous and should be reversed.

The distinction which we have been endeavoring to make between cases of patents and strict trade-marks, and a case of unfair competition and the rules of law applicable thereto was clearly recognized and applied by the learned Judge who decided this case in the Circuit Court, in his opinion in this case. He referred to the rule of law governing this case, which he illustrated by quotations from the majority opinion of the Court of Appeals on the first appeal in this case, the opinion of the Circuit Court of Appeals for the Sixth Circuit in the case of Rathbone, Sard & Co. v. Champion Steel Range Co., 189 Fed. 26, the opinion of this Court in the case of Howe Scale Co. v. Wyckoff, 198 U. S. 118, and the opinion of the Circuit Court of Appeals for the Second Circuit in the case of Baker v. Baker, 115 Fed. 299, which latter case he points out was cited with approval in the case of Walter Baker & Co. v. Gray, 192 Fed. 921. In that opinion (192 Fed. 930; Rec., pp. 1104, 1106) he quotes at length from the majority opinion of the Court of Appeals on the first appeal in this case, "for the purpose of showing that we are now considering questions of unfair trade and not that of infringement of a valid trade-mark." After thus recognizing the distinction to be made between the two classes of cases, he said (192 Fed. 932; Rec., pp. 1106, 1110):

"This, therefore, being a question of unfair trade, we must look for the rule applicable thereto, with the view and for the purpose of determining whether in this particular case 'unfair trade' exists. * * * In the various authorities that have been referred to by counsel, none state the rule as to unfair trade more clearly than the Court of Appeals in this case. The Court said:

" 'The essence of the rule being that one person shall not in the sale of his goods so act as to lead the public to believe that they are the goods of another.'

"Applying this rule to the evidence in this case, the complainant's demand for damages must fail,"

for the reason, among others, that (192 Fed. 935; Rec., p. 1110):

"The record in this case is absolutely barren of evidence tending to show that any individual purchased a pair of shoes marked 'American Lady', believing at the time of the purchase he was getting the 'American Girl'. There is no evidence in the record tending to prove that the defendant or any of its customers ever offered for sale any shoe marked 'American Lady' as and for the 'American Girl'. * * * There is no evidence in the record that the complainant's output was curtailed in the least by the sale of the 'American Lady', nor is there any evidence that complainant lost a single customer by reason of anything done by the defendant or any of its customers."

III.

UNDER THE ANALOGY OF THE PATENT CASES PLAINTIFF WOULD NOT BE ENTITLED TO RECOVER THE "ENTIRE PROFITS" MADE BY THE DEFENDANT FROM THE MANUFACTURE AND SALE OF AMERICAN LADY SHOES, BUT ONLY THAT PART OF THE "ENTIRE PROFITS" WHICH WAS DUE AND ATTRIBUTABLE TO THE USE OF THE OFFENDING MARK.

Not only is there no analogy between the rule for the recovery by complainant on accounting, in cases of patents and strict trade-marks, and cases of unfair competition, but even though the rule applying to the former applied also to the latter class of cases, the judgment ordered by the Circuit Court of Appeals in this case is erroneous and in conflict with the decisions of this Court and other Courts of Appeal.

The rule in patent and strict trade-mark cases is that the complainant may recover **such damages as it shows it has sustained** and **such profits as the defendant has made "by reason of the infringement"**, *i. e.*, by reason of the use of the complainant's property—its patent or trade-mark. All of the decisions recognize a clear distinction between damages and profits. Damages, as distinguished from profits, is the actual pecuniary injury—such as loss of trade—which the complainant can show he has suffered **"by reason of the defendant's infringement"**. Profits, on the other hand, are those gains which it is shown the defendant has actually made **"by reason of the infringement"** (Walker on Patents, 4th Ed., Sections 555 and 711.)

The complainant's damage is to be measured by the

direct and immediate evil consequences to the plaintiff of the wrongful act of the defendant; while the profits recoverable in equity are the profits which the defendant made **"by reason of the infringement."** (Robinson on Patents, Secs. 1053 and 1136.)

In determining these profits the complainant must show by direct and positive testimony that the defendant's income has been augmented **"by reason of the infringement"** and the extent to which the defendant's income has been so augmented. The above is the rule in cases of patents and strict trade-marks, and the rule is based upon the complainant's right of property in the patent or trade-mark in question and the defendant's unlawful use thereof, the complainant having a right of recovery of profits by virtue of statute and under the rule applied to a trustee who has wrongfully used trust property to his own advantage.

That the complainant is not entitled to recover all profits made by the defendant from the manufacture and sale of the article accounted for, even in patent cases, is well settled by numerous and recent decisions of this Court. The most that the complainant is entitled to recover in patent cases is the profits made by the defendant **"by reason of the infringement"** and the burden of proof is upon the plaintiff of showing what part of the profits made by the defendant on the whole device were attributable to the use of the invention of the plaintiff's patent. This is the doctrine as laid down by this Court in the case of Keystone Mfg. Co. v. Adams, 151 U. S. 139, in which case this Court considered the earlier cases upon the question of the plaintiff's right to recover profits made by the defendant in a case brought for the infringement of a patent. In that case this Court said:

"It is unnecessary, in this opinion, to review the numerous cases, some at law, others in equity, wherein this Court has considered various aspects of this question. It is sufficient to say that the conclusion reached may be briefly stated as follows: It is competent for a complainant, who has established the validity of his patent and proved an infringement, to demand, in equity, an account of the profits actually realized by the defendant from his use of the patented device; that the burden of proof is on the plaintiff; that where the infringed device was a portion only of defendant's machine, which embraced inventions covered by patents other than that for the infringement of which the suit was brought, in the absence of proof, to show how much of that profit was due to such other patents, and how much was a manufacturer's profit, the complainant is entitled to nominal damages only. Seymour v. McCormick, 16 How. 480; Rubber Co. v. Goodyear, 9 Wall. 788; Mowry v. Whitney, 14 Wall. 620; Elizabeth v. Pavement Co., 97 U. S. 126.

"In the case last named it was said: 'It is unnecessary here to enter into the general question of profits recoverable in equity by a patentee. The subject as a whole is surrounded with many difficulties which the courts have not yet succeeded in overcoming. But one thing may be affirmed with reasonable confidence, that if an infringer of a patent has realized no profit from the use of the invention he cannot be called upon to respond for profits; the patentee, in such case, is left to his remedy for damages. It is also clear that a patentee is entitled to recover the profits that have been actually realized from the use of his invention.'

"In Garretson v. Clark, 111 U. S. 120, 121, this Court quoted with approval the statement of the rule made in the Court below by Mr. Justice Blatchford: 'The patentee must in every case give evidence tending to separate or apportion the defendant's profits and the patentee's damages between the patented feature and the unpatented features, and such evidence must be reliable and tangible, and not conjectural or speculative.'

"Tilgham v. Proctor, 125 U. S. 136, 146, is an important case, in which many of the earlier cases were reviewed, and it was there said: 'The infringer is liable for actual, not for possible gains. The profits therefore which he must account for are not those which he **might** reasonably have made, but those **which he did make, by the use of the plaintiff's invention**; or, in other words, the fruits of the advantage which he derived from the use of that invention over what he would have had in using other means open to the public and adequate to enable him to obtain an equally beneficial result. **If there was no such advantage in his use of the plaintiff's invention, there can be no decree for profits**, and the plaintiff's only remedy is by an action at law for damages.'

"In the light of these decisions there was error in the court below, not in any formal disregard of the rule restricting the plaintiff's recovery to the profits actually realized, but in permitting the plaintiff to prove, not the defendant's profits, but those realized by other companies. This was in effect showing what, in the opinion of a Master and a Court, 'he might reasonably have made, and not those which he did make.'

"The fallacy of this application of the rule is obvious, for nothing is more common than for one manufacturing concern to make profits where another, with equal advantages, operates at a loss.

> "The learned Judge seems to have thought that the course of the defendant in not itself disclosing the condition of its business, justified the Master in estimating its profits upon the basis of those of other similar establishments. But, as we have seen, the burden of proof was upon the plaintiff. He relied, notwithstanding defendant's objections, on incompetent and irrelevant evidence, and the decree in his favor, in so far as it awards more than nominal damages, cannot be sustained."

The same rule was laid down by this Court with respect to the "profits to be accounted for by the defendant" in a suit for infringement of a design patent in the case of Dobson v. Hartford Carpet Co., 114 U. S., at pages 444-446, in which case this Court said:

> "This Court has in a series of decisions laid down rules as to what are to be regarded as 'profits to be accounted for by the defendant', and what as 'actual damages', in suits for the infringements of patents; and no rule has been sanctioned which will allow, in the case of a patent for a design for ornamental figures created in the weaving of a carpet, or imprinted on it, the entire profit from the manufacture and sale of the carpet, as profits or damages, including all the profits from the carding, spinning, dyeing and weaving, thus regarding the entire profits as due to the figure or pattern, unless it is shown by reliable evidence that the entire profit is due to the figure or pattern. It is a matter of common knowledge that there is an infinite variety of patterns in carpets, and that, between two carpets, of equal cost to make, and equal merit as to durability of fabric and fastness of color, each with a pattern pleasing to the taste, one having a design free to be used, and the other a design to be protected by a pat-

ent, the latter may or may not command in the market a price larger than the former. If it does, then the increased price may be fairly attributed to the design; and there is a solid basis of evidence for profits or damages.

"But, short of this, under the rules established by this Court, there is no such basis. The same principle is applicable as in patents for invention. The burden is upon the plaintiff, and, if he fails to give the necessary evidence, but resorts, instead, to inference and conjecture and speculation, he must fail for want of proof. * * * Approval of the particular design or pattern may very well be one motive for purchasing the article containing it, but the article must have intrinsic merits of quality and structure, to obtain a purchaser, aside from the pattern or design; and **to attribute, in law, the entire profit to the pattern, to the exclusion of the other merits, unless it is shown, by evidence, as a fact, that the profit ought to be so attributed, not only violates the statutory rules of 'actual damages' and of 'profits to be accounted for', but confounds all distinctions between cause and effect.**"

Assuming, therefore, that the rule applicable to patent cases should be applied by analogy to this case, based solely upon unfair competition in trade, it would be necessary for the complainant to show, as pointed out by this Court in the cases last cited, that the profits made by the defendant in the sale of its "American Lady" shoes were attributable in some definite measure to the fact that those shoes bore the name, "American Lady", and the pecuniary value of such influence, before the plaintiff would have a right to recover any of those profits, for, as stated by this Court in the Carpet case, "to attribute, in law, the entire profit to the

pattern (or name), to the exclusion of the other merits, unless it is shown, by evidence, as a fact, that the profit ought to be so attributed, not only violates the statutory rules of actual damages, and of profits to be accounted for, but confounds all distinctions between cause and effect". Plaintiff in this case could only show such fact by showing that at least some of the defendant's "American Lady" shoes were sold, to the deception of customers, "as and for" the complainant's shoes, and there is no evidence in this case that a single pair of defendant's "American Lady" shoes were ever sold "as and for" "The American Girl" shoes of the complainant. Such sales could not have been made without damage to the complainant, and that there was no proof of damage to the complainant was admitted by the complainant in its brief before the Master, it was the finding of the Master, of the Circuit Court, and of the Court of Appeals, in the prevailing as well as in the dissenting opinion.

Therefore, since there is no evidence in the record to show that any of the defendant's shoes bearing the name "American Lady" were sold "as and for" the complainant's shoes, it follows that no profits were made by the defendant which were attributable to the use by it of the name, "American Lady". Not having a property right in the name "The American Girl" the complainant's sole right to complain of the use of the name "American Lady" by the defendant must be based upon the fact "**that the use of that name by the defendant would result in the sale of defendant's shoes as and for the shoes of the complainant, to the deception of purchasers**", and it would be to the extent, and only to the extent, that such purchasers were deceived by reason of such use of the name "American Lady" that

the complainant would be injured or have a right of recovery; for only in such an event could the defendant have derived any profits, gains, savings or advantages in its business, through the use of the name "American Lady".

To illustrate: **It is the deception of the purchasers in the purchase of the defendant's shoes under the belief that they are the shoes of the complainant that wrongs the complainant and gives it a right of action against the defendant.** Therefore, unless the use of the name "American Lady" by defendant **has resulted** in the sale of its "American Lady" shoes as and for "The American Girl" shoes of the complainant, to the deception of purchasers, the complainant has not been injured and it has no right of recovery. If the defendant sold shoes to persons who knew that they were made by the defendant, or sold shoes to persons who had never heard of the complainant or its brand of shoes, there would clearly be no right to recover either profits or damages. On the other hand, the complainant might have a right of recovery against the defendant even though the defendant did not use the name "American Lady", **if** the complainant could show that, by reason of some device or subterfuge practiced by the defendant, its shoes had been sold as and for the shoes of the complainant, to the deception of customers.

Any conduct, whether in respect of branding, dress or color, on the part of the defendant, made with the design and efficient to cause a simulation of an earlier trader's goods, will call for just as great redress, as if there was a distinct imitation of the former's goods; for the principle is, that conduct tending to pass off one man's goods or business as that of another will constitute unfair competition; and nothing less than

that will constitute unfair competition. This is the language of numerous cases upon this subject, among others, Elgin Watch Co. v. Illinois Watch Co., 179 U. S. 665; Coates v. Merrick Thread Co., 149 U. S. 562, etc. It is clearly recognized in the decision of the Circuit Court of Appeals for the Sixth Circuit in the case of Merriam Co. v. Saalfield, 198 Fed. 369, relied upon in the prevailing opinion of the Court of Appeals in the case at bar, where, at page 377, the Court said:

> "If books which offend only by bearing the title bear also the required qualification, there could, from their dress alone, be no inference that their sale was the result of unfair competition. Nevertheless, if it could be shown that such a book was in some other effective manner represented to be complainant's book, and was bought by reason of such misleading, such sale would be equally an invasion of complainant's right."

Undoubtedly this is true, and it goes to show that the complainant's right of recovery in such cases of unfair competition is based upon the fact that the customers have been deceived, and is not due to the fact that the defendant used a particular name or a particular dress without the same having been qualified, as directed by the Court of Appeals in this case on the former appeal. It further shows that the limits within which the complainant will have a right of recovery in cases of unfair competition are not confined to those cases in which the defendant has used a particular name, but that complainant has a right of recovery in every case in which it is shown that the defendant's goods have been sold as and for the goods of the complainant, to the deception of purchasers. **The recovery**

depends upon the actual accomplishment of a fraud against the complainant's business.

This also tends to illustrate, we believe, the fact that the Circuit Court of Appeals for the Sixth Circuit was in error in adopting the analogy of patent cases in the case of Merriam Co. v. Saalfield, for obviously it could not be said that the complainant's right of recovery in the instance last mentioned was based upon any principle applicable to cases of infringements of patents or strict trade-marks, inasmuch as the sales could not possibly be said to be the result of, or in any manner attributable to, the use by the defendant of any device or dress which the defendant has no right to use.

For the reasons above stated it is apparent, we believe, that the Circuit Court of Appeals erred in adopting the analogy of patent cases in the case at bar.

In the case at bar, it was not shown that any part of the profits made by the defendant in the sale of its "American Lady" shoes, and for which the Court of Appeals in its prevailing opinion holds the defendant must account to the complainant, were in any way due to the fact that those shoes bore the name "American Lady", and even under the principle of the patent cases the defendant would, therefore, not be liable to account to the complainant for those profits.

Recent decisions of this Court in which the doctrine announced in the cases just referred to was upheld, are the decisions in the cases of Westinghouse Co. v. Wagner Mfg. Co., 225 U. S. 604, 620, and in the case of Dowagiac Mfg. Co. v. Minnesota Plow Co., ... U. S. ..., decided by this Court January 11, 1915.

In the Westinghouse case this Court had for consideration the question of the extent to which the plaintiff was entitled to recover the defendant's profits

on accounting for infringement of a patent, and it held (p. 617) that the plaintiff "was only entitled to recover such part of the commingled profits as was attributable to the use of its invention", that "the burden of apportionment was with the plaintiff", and that (p. 620) "the plaintiff's recovery cannot exceed the amount proved" to have been contributed to the defendant's profits by the use of the infringing device.

In the Dowagiac case, this Court, in an opinion by Mr. Justice VanDevanter, followed the decision in the Westinghouse case. It quoted from the opinion in that case and added:

> "The profits pertaining to the patented improvements had to be ascertained before they could be recovered by the plaintiff, and therefore it was required to take the initiative in presenting evidence looking to the apportionment."

The authority relied upon by the Circuit Court of Appeals for the Sixth Circuit in the Saalfield case, and also by the Court of Appeals in the prevailing opinion in the case at bar, is the case of Westinghouse Co. v. Wagner Mfg. Co., 225 U. S. 604. The decision of this Court in that case does not support the doctrine of the Saalfield case or the prevailing opinion of the Court of Appeals in the case at bar, but does support the rule which we contend must be applied in this case, *i. e.*, that, even under the analogy of the patent cases, the profits that may be recovered are limited to the profits which are attributable to the use by the defendant of the name "American Lady", "in a manner and under circumstances constituting unfair trade" (165 Fed., *l. c.* 415).

In the Westinghouse case, at page 620, this Court said:

"The rule, however, **is not intended to penalize the infringer**, nor to give the patentee profits to which he is clearly not entitled. So that where by general evidence, expert testimony or otherwise, it is shown that his patent is of relatively small value, it will often be possible to prove that at the utmost, **it could not have contributed to more than a given amount of the profits.** Lupton v. White, 15 Vesey Jr. 432-440. In such cases, except possibly against one who had concealed or destroyed evidence or been guilty of gross wrong, **the plaintiff's recovery cannot exceed the amount proved,** even though it be impossible otherwise more precisely to apportion the profits."

This is exactly the principle for which we contend in the case at bar, and it is in strict harmony with the decisions of this Court in Dobson v. Carpet Co., 114 U. S. 444, *et seq.*, and Keystone Mfg. Co. v. Adams, 151 U. S. 139, cited above, and Elizabeth v. Pavement Co., 97 U. S. 126, quoted from in the opinion in the Keystone case. It is there pointed out that, even in a patent case, in which the complainant's property right is involved, **it is only the profits which have been actually realized from the use of the complainant's invention** that the complainant has the right to recover, or, as stated by this Court in the Westinghouse v. Wagner case, **plaintiff's recovery cannot exceed the amount proved to have been contributed to the defendant's profits by the use of the infringing device,** even though it be impossible to precisely apportion the profits.

The case of Mowry v. Whitney, 14 Wall. 620, was a suit on a patent, and praying for an injunction and an accounting. A decree was rendered in favor of the complainant for **all the profits** on the manufactured

article, instead of upon the patented process of manufacture, with interest added. On appeal this Court reversed the decree on that point, saying:

> "The question to be determined in this case is: What advantage did the defendant derive from using the complainant's invention over what he had in using other processes then open to the public and adequate to enable him to obtain an equally beneficial result? The fruits of that advantage are his profits. * * * That advantage is the measure of profits."

In Elizabeth v. Pavement Company, 97 U. S. 126, this Court points out in unmistakable language that even in a case for the infringement of a patent the complainant is not entitled to recover profits realized by the defendant, unless those profits can be clearly traced to the wrongful use of the patented devices.

The Court said:

> "It is also clear that a patentee is entitled to recover the profits that have been actually realized **from the use of the invention,** although from other causes the general business of the defendant, in which the invention is employed, may not have resulted in profits, as when it is shown that the use of his invention produces a different saving in the process of manufacture. * * * On the contrary, though the defendant's general business be ever so profitable, **if the use of the invention has not contributed to the profits, none can be recovered.**"

This Court then goes on to make this observation:

> "The same result would seem to follow **where it is impossible to show the profitable effect of using the invention** upon the business results of the party

infringing. It may be added that where no profits are shown to have accrued, **a court of equity cannot give a decree for profits by way of damages, or as a punishment for the infringement.**''

This is the doctrine of all of the decisions of this Court. It was affirmed by this Court in the Westinghouse case, 225 U. S. 604, 620, and was expressly reaffirmed by this Court on January 11th, 1915, in the decision in the Dowagiac case (opinion by Mr. Justice VanDevanter).

In the light of these authorities, how could the Court of Appeals in the case at bar hold that the complainant is entitled to recover **all of the profits made by the defendant in the sale of shoes bearing the name ''American Lady'', regardless of whether or not such profits were attributable to the use of the name ''American Lady'' on those shoes?**

It must be apparent that the **entire profits** made by the defendant on its ''American Lady'' shoes during the period of the accounting were not attributable to any interference with the complainant's business or the use by the defendant of the name ''American Lady'', or to any inference that the defendant's shoes bearing that name were the product of complainant company.

Let us illustrate, in a homely way, the proposition of law involved in a strict trade-mark or patent case. Let a set of harness stand for the trade-mark or patent. A farmer takes the harness from his neighbor and with it harnesses his own horse to farm machinery, with which he tills his ground and makes a crop. The owner of the harness cannot recover the full value of the crop; he can only recover for the use of the harness.

Therefore, the doctrine of the cases of Keystone Mfg. Co. v. Adams, 151 U. S. 139, and Elizabeth v. Pavement Co., 97 U. S. 126, and Dobson v. Hartford Carpet Co., 114 U. S. 444-6, and Westinghouse v. Wagner Mfg. Co., 225 U. S. 604, 617, 620, and Dowagiac Co. v. Minnesota Plow Co., ... U. S. ....., should be applied in this case, **if by any analogy the rule that obtains in cases of patent and strict trade-mark** is to be applied to cases of alleged unfair competition in trade, and the complainant should not be permitted to recover **all** of the profits made by the defendant on its "American Lady" shoes during the period of the accounting, but only such profits as the record shows accrued **by reason of unfair competition**—by palming off defendant's shoes as and for the shoes of complainant.

Notwithstanding all of this, the Court of Appeals holds that the complainant is entitled to recover the defendant's "entire profits" from the manufacture and sale of American Lady shoes, which the Master estimated at the sum of $445,311.55. This, we respectfully submit, is contrary to the decisions of this Court, contrary to the decisions of other Courts of Appeal, violates the statutory and equitable rules of damage and of profits to be accounted for, and confounds all distinction between cause and effect.

IV.

THE AMERICAN LADY SHOES SOLD BY THE DEFENDANT "SINCE THE COMMENCEMENT OF THIS SUIT" WERE "ACCOMPANIED WITH OTHER MATTER CLEARLY INDICATING" THAT THEY WERE THE PRODUCT OF THE HAMILTON, BROWN SHOE COMPANY AND, THEREFORE, UNDER THE DECISION OF THE COURT OF APPEALS, THE DEFENDANT CANNOT BE REQUIRED TO ACCOUNT FOR THEM.

The prevailing opinion of the Circuit Court of Appeals in this case is erroneous, and in conflict with the decisions of this Court in analogous cases as well as the decisions of other Courts of Appeal, in that it holds that the American Lady shoes included within classes 2 and 3 above were not accompanied with other matter sufficient to conform to the requirements of the opinion and mandate of the Court of Appeals on the first appeal and the decree of the Circuit Court entered thereunder.

In that opinion (on the first appeal) the Court of Appeals decided that the name "The American Girl" is descriptive merely and is not the subject of a valid trade-mark; that the limit of the respondent's rights in this case is "to protection from the use of the name 'American Lady' by the defendant in a manner and under circumstances constituting unfair trade; the essence of the rule being that one person shall not, in the sale of his goods, so act as to lead the public to believe that they are the goods of another." That by reason of the fact that the words "The American Girl" and "American Lady" "are so similar as to

cause **confusion**, and the evidence fully discloses such to have been the result," the petitioner would only be permitted to use the name "American Lady" "on condition that it accompanied it with such distinguishing marks or matter as would plainly indicate that it was not being used with its secondary signification; that is, as pointing to the complainant as the manufacturer of the shoes to which it was applied."

In this connection we desire to call attention to an important distinction to be applied in construing the decision of the Court of Appeals on the first appeal. The Court of Appeals did not find that the defendant had been guilty of unfair competition—that customers had been deceived into purchasing the petitioner's shoes "as and for" the complainant's shoes. All that the Court of Appeals found was that

> "The words 'The American Girl' and 'American Lady' are so similar as to cause **confusion**, and the evidence fully discloses such to have been the result,"

and it therefore held that an injunction should issue to prevent possible deception, the similarity of the names having already caused "**confusion**". This Court has held in at least two cases that "confusion" alone does not make out a case of unfair competition. In the case of Canal Co. v. Clark, 13 Wall. 327, and again in Howe Scale Co. v. Wyckoff, 198 U. S. 110, 140, where confusion had resulted from the fact that both parties used the same name, this Court said:

> "Purchasers may be mistaken, but they are not deceived."

See also the decision of the Circuit Court of Appeals

for the Third Circuit in the case of Reed Cushion Shoe Co. v. Frew, 162 Fed. 887.

This requirement by the Court of Appeals on the original hearing (opinion by District Judge Munger, concurred in by Circuit Judge [now Mr. Justice] Vandeventer) is not unusual in cases of unfair competition, and finds precedent in a number of decisions of this Court. This Court has upon numerous occasions passed upon similar cases, and the rule with regard to what "accompanying matter" the defendant is required to use in such a case is well settled by the decisions of this Court.

In the case of Elgin National Watch Co. v. Illinois Watch Co., 179 U. S. 665, this Court had a case before it in which the complainant sought to prevent the use of a geographical name by the defendant, and this Court expressly held that in such a case in order to prevent a name which has acquired a secondary significance as applied to the plaintiff's goods, from being used fradulently by the defendant, and to afford the public means of distinguishing between the defendant's goods and the complainant's goods, the defendant's use of the word will "be confined to its primary sense by such limitations as will prevent misapprehension on the question of its origin."

And in the case of Howe Scale Co. v. Wyckoff, 198 U. S. 118, cited and relied upon in the majority opinion of the Court of Appeals on the first appeal, in which case the complainant sought to monopolize the use of the name "Remington" as applied to typewriters, this Court denied the injunction and pointed out in its opinion that the accompanying matter used by the defendant called the attention of the public to its own manufactured

goods, and the places where they were to be had, and that it had no connection with the plaintiff. This Court saying that "the use of two distinct surnames (being the name of defendant company) clearly differentiates the machines of the defendant from those of the complainant."

In the case of Standard Paint Co. v. Trinidad Asphalt Mfg. Co., 220 U. S. 461, in which the name of the defendant was plainly printed on the labels and wrappers containing the defendant's product, this Court held that the defendant did "not use the word 'Rubbero' in such a way as to amount to a fraud on the public."

To the same effect see the decisions of this Court in the cases of Brown Chemical Co. v. Meyer, 139 U. S. 547; Goodyear v. Goodyear, 128 U. S. 598, and Saxlehner v. Wagner, 216 U. S. 375.

This same rule has also been applied by other Courts of Appeals and by the Court of Appeals for the Eighth Circuit in numerous cases, among them the case of J. F. Rowley & Co. v. Rowley, 193 Fed. 393; Merriam Co. v. Ogilvie, 170 Fed. 169, and Trinidad Asphalt Mfg. Co. v. Standard Paint Co., 163 Fed. 977. In the latter case the Circuit Court of Appeals for the Eighth Circuit, in an able and well-considered opinion by Judge Hook, which was subsequently affirmed by this Court (220 U. S. 447), said of the decisions on this point:

> "They recognize and enforce the established rule that unfair competition can not arise from the mere use of words belonging to the public accompanied by a fair and truthful statement of the ownership and source of manufacture."

And in that case, in which the defendant's name was plainly printed on the wrappers containing its "Rubbero", the Court of Appeals and this Court held that the defendant could not be held to have infringed upon any of the complainant's rights.

In the case of Walter Baker & Co. v. Gray, 192 Fed. 921, the Circuit Court of Appeals for the Eighth Circuit had before it a case involving the right of two manufacturers bearing the same name to sell chocolate and cocoa in packages bearing the name in question. The complainant had an established business in the sale of this product before the defendant began business. The manufacturer of the defendant's package placed thereon in plain type his name and address, as follows:

"William H. Baker, Syracuse, Inc."

Speaking of this marking on the Defendant's package or carton, the Court of Appeals for the Eighth Circuit, in an opinion by Adams, Circuit Judge, said (192 Fed. 924):

> "These labels each prominently and unevasively discloses the manufacturer of its contents",

and, speaking of the rule laid down by this and other courts requiring the second user of a name which is not the subject of exclusive appropriation to accompany it with other matter indicating the source from which the goods to which it is applied emanate, the Circuit Court of Appeals for the Eighth Circuit (opinion by Judge Adams) said (page 925):

> "If confusion would result or the public be deceived or unwarrantable injury be occasioned by the subsequent adoption and use of a name once lawfully appropriated by a predecessor in busi-

> ness, equity will restrain such subsequent use unless **some addition or explanation accompanies the use which indicates clearly** that the business or product of the later comer is different from that of the original one. * * * **Wm. H. Baker of Syracuse,** as already seen, **conformed in respect of his labels and advertisements fully to the requirements of the law just referred to.**"

And, again, referring to the fact that the name and address, "Wm. H. Baker, Syracuse," was plainly printed upon the defendant's packages, that Court said (page 927):

> "Because of the fact, however, that another man by the name of Baker had preceded them in the same business, in order to insure fair competition and prevent the perpetration of fraud upon the public, the law, as already pointed out, imposed upon defendants the obligation of **so marking** and describing **their product as to plainly distinguish it from their predecessor's.** This, as we have already seen, **was done by them to the fullest possible requirement.**"

The principle of the decisions referred to is that a person who adopts a name which others have a right to adopt, whether it be one's own name, a geographical or a descriptive name, and which has already been adopted by a competitor in business in application to the same or a similar line of goods, is required to so mark his goods as to plainly indicate the source from which they emanate, thus distinguishing his goods from the goods of his competitor.

In this case, as shown by the stipulations entered into by the parties on the accounting, each and every pair of "American Lady" shoes sold by the defend-

ant during the period of the accounting, was packed, shipped and delivered by it to its customers in a single pair carton, each of which bore upon the lid thereof in large white letters, upon a black background, the words, "Hamilton, Brown Shoe Co.'s American Lady", and on the end of said carton the words "American Lady, Hamilton, Brown Shoe Co., Makers". In addition to this marking on the cartons the shoes in class 2, mentioned above, and being approximately one-half of the shoes accounted for, were plainly marked on the sole of each shoe with defendant's belt trade-mark with the name "Hamilton, Brown Shoe Co." thereon, and the name "American Lady" in the center of the belt, an exact duplicate of said sole mark, on cardboard, marked "Exhibit A", being found at page 433 of the record.

This marking, we respectfully submit, conformed to the requirements of the rule, which requires a fair and truthful statement of the ownership and source of manufacture, and, in the language of this Court in the case of Howe Scale Co. v. Wyckoff, 198 U. S. 139:

> "Clearly differentiated the shoes of defendant from those of complainant, and * * * discloses, to use the language of Mr. Justice Field in the Goodyear case, a persistent effort on the defendant's part 'to call the attention of the public to its own manufactured goods, and the places where they were to be had, and that it has no connection with plaintiff'."

The petitioner contended that this marking both on the carton and on the shoes themselves conformed to the rule laid down in the decisions referred to above, and the opinion of the Court of Appeals on the first appeal.

The respondent contended that the cartons referred to were not "accompanying matter" and that the marking on the shoes themselves was insufficient, and that on the shoes bearing the name "American Lady" it should have been stated that the shoes were manufactured by the Hamilton, Brown Shoe Co., and were not manufactured by the respondent.

The Court of Appeals, by its prevailing opinion, holds that the cartons were not accompanying matter and that the name "Hamilton, Brown Shoe Co." accompanying the name "American Lady" on the sole of the petitioner's American Lady shoes is not a sufficient compliance with this rule, and the opinion and mandate of that Court (composed of an entirely different set of judges) on the first appeal, and it held by its prevailing opinion that the petitioner must account for its profits on the shoes so marked.

In so doing, the Court of Appeals went directly contrary to the decisions of this Court, and decisions of other Courts of Appeals, and at least two of its own decisions, one of which was subsequently affirmed by this Court on appeal. The opinion of the Court of Appeals on the first appeal in this case held that the name "The American Girl", is not the subject of a valid trade-mark and was not subject to exclusive appropriation by them, that the petitioner has a right to use the name "American Lady" as applied to shoes "on condition that they accompanied it with such distinguishing marks or matter as would plainly indicate that it was not being used with its secondary signification, that is, as pointing to the complainant as the manufacturer of the goods to which it was applied."

If, as a condition to the use of the name "American Lady" on its shoes, the petitioner is required to point

out to its customers the difference between its "American Lady" shoes and "The American Girl" shoes of the complainant, and is thus required to advertise and extol the respondent's shoes in an attempt to sell its own shoes, the privilege of using the name "American Lady" granted it in the opinion of the Court of Appeals on the first appeal, would be a burden, and such a requirement would deprive the petitioner of its conceded right to the use of that name.

All that the courts are interested in is in seeing to it that the second user accompanies his product with such distinguishing marks or matter as would enable a person familiar with the brand of the first user and who is sufficiently interested to distinguish between brands, to endeavor to ascertain whether or not the goods which he is purchasing are the goods of the first user—to determine the source from which the goods shown him emanate. If he is not interested in the source of their manufacture, no injury could be done him. If, on the other hand, he is interested in the source of their manufacture and takes the trouble to examine the goods with a view to ascertaining the source from which they emanate, then unless the goods are accompanied by matter which will enable him to determine the source from which they emanate, deception might result. But when the second user accompanies his goods with his own name in such a manner that any person who looks for it may find it, as was done in the cases of Baker v. Gray, 192 Fed. 921; Trinidad Asphalt Mfg. Co. v. Standard Paint Co., 163 Fed. 977, 220 U. S. 446; and in the case of Howe Scale Co. v. Wyckoff, 198 U. S. 118, and other cases cited, he has done all that honesty and fair dealing require of him. As pointed out by the Circuit Court of Appeals for the

Eighth Circuit (opinion by Judge Adams) in the case of Walter Baker & Co. v. Gray, 192 Fed. at pages 926-7, in which the plaintiff contended that the name of the defendant on the packages was not sufficient and that its packages should bear a statement that the goods were manufactured by the defendant and were not manufactured by the plaintiff:

> "We are of the opinion that the demands of fair and honest competition did not require the defendants to exercise the solicitude in behalf of their competitor contended for * * *. In order to insure fair competition and prevent the perpetration of fraud upon the public, the law, as already pointed out, imposed upon defendants the obligation of so marking their product as to plainly distinguish it from their predecessor's. This, as we have already seen, was done by them to the fullest possible requirement" (by printing the name of the defendant upon the packages in which its chocolate and cocoa were sold).
>
> "If, in addition to this, a merchant in order to escape the charge of fraud, must explain to every customer calling for his goods by its natural descriptive and colloquial name, the difference between them and those of a competitor entitled to use the same descriptive name, or if a merchant must warn every customer that he is liable to be defrauded by trading with his house, he would in a large degree be deprived of his natural and conceded right to trade in his own name. He would be required to advertise and extol his rival's goods in an attempt to sell his own. We cannot give our assent to the proposition that would impose upon a second comer such an extraordinary degree of care to protect a rival of the same name."

In the case of McLean v. Fleming, 96 U. S. 245, cited

and relied on in the case of Howe Scale Co. v. Wyckoff, 198 U. S. 140, this Court, in an opinion by Mr. Justice Clifford, said:

> "A court of equity will not interfere when ordinary attention by the purchaser of the article would enable him to discriminate the one from the other."

To hold that the petitioner must accompany the name "American Lady" with a statement that the shoes to which it is applied are not manufactured by The Wolf Bros. & Co. is in effect to deprive the petitioner of the right to use the name at all, and, within the language of this Court in the Trinidad case (220 U. S. 461) **"would be to give to the name 'The American Girl' the full effect of a trade-mark, while denying its validity as such"**. Under the circumstances, we submit that the marking upon the one-half of the defendant's goods, which bore upon the sole of each shoe the belt trademark of the defendant, with the name "Hamilton, Brown Shoe Co." on the belt and the name "American Lady" in the center, were marked in conformity with the rule applying to cases of this character, and in conformity with the requirements of the opinion and mandate of the Court of Appeals on the first appeal in this case, and the decree of the Circuit Court entered thereunder.

THE CARTONS.

The opinion and mandate of the Court of Appeals on the first appeal and the decree of the Circuit Court entered thereunder requires the defendant as a condition to the use of the name "American Lady" to accompany "it with such distinguishing marks or matter as

would plainly indicate that it was not being used with its secondary signification, that is, as pointing to the complainant as the manufacturer of the goods to which it was applied". In the stipulations entered into between the parties, it was stipulated that every pair of American Lady shoes sold by the defendant since the filing of the bill of complaint in this cause was packed, shipped and delivered by the petitioner to its customers in a single pair carton, each of which bore upon the lid thereof, in large white letters upon a black background, the words, "Hamilton, Brown Shoe Co.'s American Lady", and on the end of said carton the words, "American Lady, Hamilton, Brown Shoe Co., Makers," duplicates of said top and end labels appearing at pages 9 and 10 of this brief and also appearing at page 433 and opposite page 833 of the record.

The defendant contends that the single pair carton in which each and every pair of its "American Lady" shoes was packed, shipped and delivered to its customers, and which constitutes a convenient wrapper or container for said shoes, was "accompanying matter" within the meaning of the rule requiring the second user of a name, which is not the subject of a valid trademark, to use such accompanying matter; and that it meets the requirements of the decisions and conforms to the opinion and mandate of the Court of Appeals on the first appeal in this case, and the decree of the Circuit Court entered thereunder. It was contended by the respondent that the use of those cartons marked as described above was not sufficient, because, as it contended, there was no evidence that the cartons reached the ultimate purchaser with each pair of shoes.

In the first place the stipulations having shown that each pair of the American Lady shoes was packed,

shipped and delivered by the defendant to its customers in one of those cartons, the burden would, we submit, be upon the complainant to show that the defendant's shoes do not reach the ultimate consumer in the cartons, and the respondent did not show that the petitioner's American Lady shoes do not reach the ultimate consumer in those single pair cartons. The Master found in his report (Rec., p. 516) that the testimony introduced by the complainant did not show that there was any custom or usage of trade as to not selling the shoes in the single pair cartons described above, and this being one of the few questions of fact the Master had to pass upon on this accounting it follows, we submit, that under the decisions of this Court:

> "the conclusions of the Master, depending upon the weighing of conflicting testimony, have every reasonable presumption in their favor and are not to be set aside or modified unless there clearly appears to have been error or mistake on his part". Tilghman v. Proctor, 125 U. S. 136-149; Callaghan v. Myers, 128 U. S. 617, 666; Kimberly v. Arms Co., 129 U. S. 512-525; Crawford v. Neal, 144 U. S. 585; Furrer v. Ferris, 145 U. S. 132.

The findings of the Master being therefore presumptively correct, and the Master having found that the complainant had failed to show a custom of the trade to sell the shoes without the carton, in which each pair of the petitioner's shoes were packed, shipped, and delivered to its customers, the presumption arises, we submit, that the packages do reach the ultimate consumer.

It is a presumption of law that people act in a reasonable manner, and as these cartons form a desirable and most convenient wrapper for a pair of shoes, and

as the retail dealer could not possibly have any use for the carton after the shoes had been sold, it follows, we respectfully submit, that, in the absence of any evidence on the subject, there is a presumption that the retail dealer does deliver the shoes to the ultimate consumer in these single pair cartons.

However, we are not without proofs in this regard. We have the testimony on this point of a number of the complainant's witnesses in the main case. This testimony was given at a time when no issue had been made as to whether or not the shoes were sold with "accompanying matter", so that there could then have been no motive for either party to distort the facts with regard to this now most important matter. The complainant introduced the testimony of detectives in its employ who had purchased eight different pairs of the petitioner's "American Lady" shoes from retail dealers, and the testimony of those detectives, introduced on behalf of the complainant, was that in every case except one, the shoes were purchased in the original single pair cartons which were offered in evidence by the complainant in this case. The one exception, in which the petitioner's original "American Lady" carton was not received by the customer with the shoes, was in the case of a pair of shoes purchased at the "Bargain Shoe Store", Clinton, Ill., September 4, 1906. In that case the dealer from whom this pair of shoes was purchased was a dealer in shoes purchased at sales of bankrupt stock, and this particular pair of shoes was purchased by him at a bankruptcy sale in Chicago. The original "American Lady" carton having been crushed and destroyed, the shoes were placed in another carton, and this other carton was actually delivered to the detectives with the pair of shoes purchased at that time.

thus showing that it is the custom among retail dealers, to deliver the shoes in the single pair cartons in which they are received from the manufacturer.

Although we will not stop here to analyze the testimony of the complainant's witnesses on this point, we consider it of such importance on the point under discussion that we are sure that the Court will want that testimony analyzed and, for the convenience of the Court, we print an analysis of this testimony as an appendix to this brief, commencing at page 129.

It is therefore conclusively established by the testimony of the complainant's own witnesses that the cartons in which the defendant's "American Lady" shoes are packed, shipped and delivered to its customers, do reach the ultimate consumer. In each of the cases in which the petitioner's "American Lady" shoes were purchased by the complainant's detectives, the shoes were deliverd to the purchaser in a carton and in every case but one the carton was the regular "American Lady" shoe carton. The only reason why another carton was substituted for the American Lady shoe carton in that one case was that that pair of shoes had gone through several different hands—including a trustee in bankruptcy, and a dealer in job lots in shoes, and at least one bankruptcy sale—and the original carton failed to survive. However, the evidence goes to show that if it had survived it would have been used as a package in which to deliver shoes to the purchaser at retail, for when it was broken up and destroyed the carton substituted for it was used for that very purpose and the shoes were delivered to the customer in the carton which took the place of the original "American Lady" shoe carton.

That the complainant regarded these cartons as serv-

ing the purpose of connecting their contents with the defendant, until the decision of the Court of Appeals on the first appeal made it expedient for them to take the opposite view, is clearly shown by the record. The value of these cartons with the name Hamilton, Brown Shoe Company thereon, as shown by the stipulations in this case, as a means of advertising the shoes contained in the carton as the product of the defendant, is evidenced by the testimony of the president of the complainant company, Mr. Samuel B. Wolf. Mr. Wolf was asked this question:

> "XQ. 6. Did you not hold a carton in which the American Lady shoes are marketed in your hand just before answering the last question?"

To which he made the following answer:

> "A. I did, and found Hamilton-Brown's name on the lid of this carton in the same position that any other jobbers would naturally place his name to advertise himself" (Rec., p. 41).

It must therefore be apparent that the carton is "accompanying matter" for this evidence establishes beyond peradventure, that the cartons do accompany the shoes into the hands of the purchaser at retail. And as those cartons so clearly identify themselves and their contents as emanating from the Hamilton, Brown Shoe Company, it follows, we submit, that they do conform to the requirements of the rule on this subject, and the opinion and mandate of the Court of Appeals on the first appeal, and the decree of the Circuit Court entered thereunder.

However, if, despite the fact that each and every pair of the defendant's "American Lady" shoes are packed, shipped and delivered by it to its customers in

one of the single-pair cartons described above, which bears the lid and end labels reproduced at pages 9 and 10 of this brief, and pages 433 and 833 of the record, and if despite the fact that those cartons are the most convenient wrappers or containers in which the shoes could be delivered to the ultimate consumer and that if they were not used for that purpose they would have to be destroyed, and the fact that the evidence of the complainant's own witnesses shows that the shoes are delivered to the ultimate consumer in those cartons, it should appear in any individual case that the shoes are removed from the cartons before delivery to the ultimate consumer, that is a matter that is not chargeable to the defendant, as the defendant has provided this most convenient wrapper for the shoes, and it cannot be said to be its intention that the shoes should be removed from this carton before being delivered to the ultimate consumer.

In the case of Coats v. Merrick Thread Co., 149 U. S. 569, this Court had before it a case in which it was claimed that notwithstanding the means adopted by the defendant to identify its product as emanating from it, unscrupulous dealers might palm off the goods of the defendant believing them to be the goods of the plaintiff. In passing upon this matter this Court said (p. 573):

> "If the purchaser of such thread desires a particular make he either calls for such, in which case the dealer, if he put off on them a different make, would be guilty of fraud for which the defendants would not be responsible."

A somewhat similar case was before the Circuit Court of Appeals for the Seventh Circuit, in the case

of Proctor & Gamble Co. v. Globe Refining Co. (C. C. A.), 92 Fed. 362, in which the Court said:

> "If the consumer called for 'Every Day' soap, and the retailers supplied him with 'Everybody's' soap, it would be a fraud for which the defendant would not be liable, as was pertinently said by Mr. Justice Brown in Coats v. Thread Co., already cited."

In the recent case of Sampson Cordage Works v. Puritan Cordage Mills, 197 Fed. 205-212, in which the product of both parties was sold with labels attached thereto, the complainant suggested that the labels on the defendant's cordage, which clearly identify the cordage as emanating from the defendant, could be easily removed and the cordage then sold as and for the cordage of the complainant.

In passing upon the case the Court said (p. 212):

> "There is, however, nothing to show that it is the intention of the defendant that they shall be removed until that is done by the ultimate purchaser, nor are we at liberty to found a decree upon the imagination that it is the defendant's desire or purpose that it shall be done. * * * It was indeed shown at the hearing that certain dealers had deceived some of their customers who, probably, were the ultimate purchasers, by palming off upon them as complainant's cord some cord made by the defendant; but that, we think, must be a matter between the dealer and his customer in an action for deceit. The possibility that falsehoods may, in special instances, be told by dealers, does not diminish the force of what we have said."

Those decisions fully meet, we submit, the statement

in the prevailing opinion of the Court of Appeals on the last appeal that "the question is whether the defendants have or have not knowingly put into the hands of the retail dealers the means of deceiving the ultimate purchaser."

From what we have already said with regard to the use of cartons by the defendant and the fact that those cartons do reach the ultimate consumer with the shoes, and that there is every reason why the defendant should desire that the cartons should reach the consumer inasmuch as they bear conspicuous and attractive advertisements of the defendant company, such as the president of the complainant company testifies that any dealer would use "to advertise himself", we submit that the proposition suggested is beside the question, and under the circumstances of this case, is directly in conflict with the decision of this Court.

However, if, as suggested, the defendant had "put into the hands of the retail dealers the means of deceiving the ultimate purchaser", how does that become material on this accounting, if, as it is conceded by the Master and all of the Judges who passed upon this case, either in the Circuit Court or on appeal, the evidence fails to show that the retail dealer availed himself of the means of deceiving thus placed in his hands by the defendant. If retail dealers had availed themselves of this means of deceiving, and had deceived customers of the complainant, the complainant would thereby have been damaged.

As admitted by the complainant in its brief before the Master (Rec., pp. 483, 957), and as found by the Master in his report (Rec., p. 489), by the Circuit Court in its opinion (Rec., p. 1110), in the prevailing opinion of the Court of Appeals (Rec., p. 1121), and in the dis-

senting opinion of Judge Hook (Rec., p. 1121), there was no proof of damage to the complainant. That being true it follows that, on this record, retail dealers have not availed themselves of this alleged means of deceiving and that none of the defendant's American Lady shoes were sold as and for the complainant's "The American Girl" shoes, and, therefore, no injury was done the complainant. In speaking of this matter the learned Judge who decided this case at the Circuit, after calling attention to the fact that the record failed to disclose that a single pair of the defendant's shoes had been sold as and for the complainant's shoes, said (Rec., p. 1110):

> "It was argued that no proof of this character (the sale of the defendant's goods as and for the complainant's goods) was required, but that the complainant had the right to recover the profits on every pair of American Lady shoes sold by the defendant after the date of the filing of the bill, on the ground that the shoes themselves were not accompanied by such marks as indicated their origin. It was contended that the defendant made it possible for its customers to offer for sale and sell defendant's manufacture as and for the manufacture of the complainant. If all of this were conceded, how was it possible for the complainant to be damaged, unless some one availed himself of such an opportunity?"

So also in the case of Walter Baker & Co. v. Gray, 192 Fed. 927-928, the Circuit Court of Appeals for the Eighth Circuit, after referring to the decision of this Court in the case of Coats v. Merrick Thread Co., 149 U. S. 562, and its own decisions in the cases of Centaur Co. v. Marshall, 97 Fed. 785, and Wrisley v. Iowa Soap Co., 122 Fed. 796, said:

"Defendants having (by printing the name of the manufacturer on its packages of chocolate and cocoa) fully complied with the law obligating them to so dress their goods as to prevent confusion and enable purchasers when exercising reasonable care to distinguish between them and the goods of others of the same name, have done their full duty either to the public or to the complainant. By heeding the maxim *caveat emptor*, the public will be protected, and complainant, for reasons already stated, will not suffer any legal injury."

V.

THE DEFENDANT'S PROFIT ON AMERICAN LADY SHOES IS THE AMOUNT LEFT AFTER DEDUCTING EVERY ITEM WHICH THE MANUFACTURE AND SALE OF THE SHOES COST THE DEFENDANT. "THE WHOLE COST" OF THE SHOES BELONGS TO THE DEFENDANT. THE MASTER AND THE COURT OF APPEALS, IN COMPUTING THE DEFENDANT'S PROFITS, REFUSED TO ALLOW CERTAIN ITEMS ENTERING INTO THE COST OF MANUFACTURING AND SELLING THE SHOES IN DIMINUTION OF DEFENDANT'S PROFITS.

The Court of Appeals refused to allow defendant as a part of the expense of manufacturing and selling its American Lady shoes, in diminution of its profits thereon, the amount of money which it expended in advertising which "had reference exclusively to American Lady Shoes", interest on its capital which "was devoted exclusively to the American Lady line of shoes", the *pro rata* of the moneys expended by it in payment of taxes, insurance, and of the discount allowed to its customers. The items mentioned,

Advertising (Rec., p. 523)	$186,278.68
Interest on capital (Rec., p. 541)	63,364.45
Taxes (Rec., p. 541)	10,974.99
Insurance (Rec., p. 541)	4,933.02
Depreciation of real estate (Rec., p. 541)	12,508.06
Discount to Boston house (Rec., p. 541)	10,271.69
Total	$288,330.89

relate to the amount of the defendant's profit during the period in question.

The amount of the defendant's profits on American Lady shoes is the amount that is left after deducting from the selling price of those shoes every item which the manufacture and sale of those shoes cost the defendant. Under the decisions of this Court and other Federal courts, "the whole cost of the shoes belongs to the defendant", and the defendant's profits made thereon are not determined until every item of cost or expense entering into their manufacture and sale has been deducted. In order to determine the amount of the defendant's profit, it is first necessary to determine the amount that is to be deducted from the selling price of the shoes on account of the expense or cost of manufacturing and selling the shoes. In determining whether or not particular items should be deducted in this manner, this question should be kept constantly in mind: "Did the manufacture and sale of the article accounted for **cost** the defendant the item for which the allowance is asked?" If it did not, then the item should not be allowed. But, if the manufacture and sale of the article did cost the defendant the item for which the allowance is asked, then it should be allowed, for, in the language of the decisions, "**the whole cost of the article belongs to the defendant,**"

and the defendant's profits are not ascertained until every item of cost or expense entering into the manufacture and sale of the article has been deducted. The amount of the defendant's profit is the amount that is left after every item which the manufacture and sale cost the defendant has been deducted, and if the defendant made no profit plaintiff is entitled to none. Keystone Mfg. Co. v. Adams, 151 U. S. 139, 148.

Advertising Which "Had Reference Exclusively to the American Lady Shoes".

The first of the items relating to the diminution of the amount of the defendant's profits, is the items of "advertising". As pointed out earlier in this brief, the facts developed by the Master on the accounting were clearly and concisely set forth in stipulations which appear at pages 827-833 and 895-903 of the record. Those stipulations were entered into for the purpose of "shortening the taking of proofs before the Master", as was expressly stated therein. The first of those stipulations, covering the period from the date of the filing of the bill, January 29, 1906, to the date of the entry of the interlocutory decree, November 15, 1909, was entered into June 4, 1910, after the parties had been engaged in taking testimony on the accounting, at different times, covering a period of more than four months, and a typewritten record of 465 pages had been made.

The second of those stipulations covers the period from the date of the interlocutory decree, November 15, 1909, to the end of the period of the accounting. Therefore, the issues on the accounting were fully developed and thoroughly understood by the Master and the parties and their counsel, so that there could be no

claim of surprise, or lack of understanding of the issues or the matter stipulated, and the matters and things contended for in those stipulations have never been questioned or disputed in any way by either of the parties or by their counsel, either before the Master, the Circuit Court, or the Court of Appeals. Those stipulations show where the defendant's American Lady shoes were made, what it cost to make them, how they were packed, shipped and delivered to its customers, that they were shipped from the defendant's factory to its wholesale house and from the wholesale house to the customer, the price at which they were billed to the wholesale house by the factory, and the amount of credit allowed the factory on its shipments. Those stipulations also showed (pp. 831, 902) that the defendant contended that the difference between the cost of manufacture and the credit allowed the factory by the wholesale house did not represent defendant's profits on American Lady shoes, because, in arriving at the expense of manufacture, the expense of advertising and interest on capital invested in the American Lady business had not been deducted.

The amount of money expended by the petitioner on account of advertising during each period of the accounting was shown in the record by the report of the complainant's expert accountant, based upon an examination of the defendant's books and records. It was then stipulated (Rec., p. 901) that of the amount so expended by the petitioner on account of advertis-

ing, 40 per cent "had reference exclusively to the American Lady shoes".*

As pointed out by the Master (Rec., p. 523) the 40% of the moneys expended by the defendant on account of advertising during the period of the accounting, and which had reference exclusively to the American Lady shoes, amounted to $331,278. Deducting from this amount the proportion thereof represented by the American Lady shoes marked "Hamilton, Brown Shoe Co., Makers", and for which the Master and the Court of Appeals held that the defendant did not have to account, leaves a balance of $257,826.60 (Rec., p. 523). The defendant contended that inasmuch as the stipulations between the parties showed that this advertising "had reference exclusively to the American Lady line of shoes" it was entitled to be allowed the amount thus expended as an item of expense in the sale of its American Lady shoes, in computing its profits thereon. The complainant contended (Rec., p. 984) that "the defendant should not be allowed for any money expended in advertising" as it was not "a proper item of expense" and "should not be deducted in any manner".

*The stipulation of January 11, 1911 (Rec., p. 901), shows that "of the amount expended by Hamilton, Brown Shoe Company on account of 'advertising' for" each period of the accounting "twenty per centum (20%) of said 'advertising' had reference exclusively to the American Lady shoes, and twenty per centum (20%) of said 'advertising' had reference exclusively to American Gentleman shoes; and that forty per centum (40%) of said 'advertising' referred exclusively to the American Lady shoes and the American Gentleman shoes, each of which was given equal prominence in said 'advertising'." The Master added (Rec., pp. 522, 524) the 20% of the "amount expended on account of advertising" and which "had reference exclusively to the American Lady shoes," and one-half of the 40% of said advertising "which referred exclusively to the American Lady shoes and the American Gentleman shoes," making one item of advertising which amounts to 40% of the whole, and which had reference exclusively to the American Lady shoe. For the purpose of this brief we will treat this matter the same way.

In harmony with the contention of the defendant, the Master held (Rec., p. 481) that:

> "Advertising is as legitimate an item of expense in the business of a concern as labor, salaries, wages or any other expense necessarily incurred in the ordinary transaction of its business," and "has become one of the recognized methods of prosecuting a successful business. The theory of business is well known to be that generous advertising produces corresponding increase in profits. The presumption is that the profits are greater as the result of the advertising, so that the recovery will be greater for the same reason."

However, after having thus held that advertising is a legitimate item of expense—as much so as "labor, salaries, wages, or any other expense necessarily incurred in the ordinary transaction of its business"—and that profits are greater as a result of generous advertising, and that they are correspondingly increased by it, the Master held that the defendant is only entitled to be allowed as an item of expense in the sale of its American Lady shoes, in diminution of its profits thereon, that proportion of the amount expended by it on account of advertising which the total sales of American Lady shoes bore to its sales of all shoes.

The reason given by the Master for refusing to allow the defendant as an item of expense in the manufacture and sale of American Lady shoes the amount which the stipulations show that it expended in advertising which "had reference exclusively to the American Lady shoes," is that the entire expense of advertising was entered upon its books as a general overhead charge, and has never been charged in any other way except for the purposes of this suit (Rec., p. 525).

The fact is that it was only for the purposes of this suit that the defendant had any occasion to compute the exact amount of its profits on American Lady shoes, and, therefore, inasmuch as the entire expense of advertising was paid by it from its general funds, it was charged on the defendant's books as a general item of expense without reference to any particular factory or line of shoes of the defendant. Up to the time of this accounting there had never been any reason why the defendant should go to the expense and trouble of apportioning the moneys expended by it in advertising among the different lines of its shoes to which that advertising was devoted, for the reason, as stated in the brief of the complainant before the Master (Rec., p. 983):

> "The result of such bookkeeping would have been simply to have taken out of one pocket, or fund, a certain amount, and put the amount so taken into another fund."

The result would be the same in either case.

Such bookkeeping would have been laborious and expensive and inasmuch as the moneys came out of the treasury of the defendant in either event, nothing was or could have been accomplished by it and there was no reason why it should have been done. However, when the matter of this accounting arose it then for the first time became necessary to ascertain the amount of money expended by the defendant in advertising its "American Lady" shoes during the period of the accounting and it then proceeded to and did ascertain the amount so expended. "For the purpose of shortening the taking of proofs before the Master" (Rec., pp. 895, 903), it was therefore stipulated by the parties that

the amount of moneys thus ascertained to have been expended by the defendant (equal to 40 per cent of the entire amount expended on account of advertising), "had reference exclusively to the American Lady shoes". That stipulation was in the nature of an agreed statement of facts, and, as stated therein, was entered into "for the purpose of shortening the taking of proofs before the Master", and it was further stipulated that "in the taking of further testimony neither party shall question or dispute * * * any of the matters stipulated herein" (Rec., p. 993).

The parties thus settled forever in this case any question as to the amount of moneys expended by the defendant in advertising its American Lady shoes by stipulating that "of the amount expended by the Hamilton, Brown Shoe Co. on account of advertising" during each period of the accounting, 40 per cent "of said advertising had reference exclusively to the 'American Lady' shoes". Had it not been for that stipulation the defendant could and would have proved that the facts were as thus stipulated, and when this was made plain to the complainant, "for the purpose of shortening the taking of proofs before the Master", it stipulated that such was the fact.

That stipulation has never been questioned in any way by the complainant either before the Master, the lower court or in the Court of Appeals, and inasmuch as by that stipulation the defendant was precluded from denying that the facts were as thus stipulated, we take it that the complainant could not have questioned or disputed the stipulation even if it chose to do so, which it did not.

It is therefore absolutely clear and wholly undisputed that of the amount expended by the Hamilton,

Brown Shoe Company on account of advertising, 40 per cent of said advertising had reference exclusively to the American Lady shoes.

That being true, what difference does it make how the defendant kept its books with reference to this matter? **It is not a question of how the defendant's books were kept, or whether the bookkeeper kept them as the Master would have kept them.** The important and only point was: Was the money so expended in advertising which "referred **exclusively** to American Lady shoes", a part of the expense of manufacturing and selling those shoes?

In the event that there was a dispute in regard to the amount so expended, and the Master should not be able to determine the amount so expended, the Master might be justified in prorating the expense of advertising among the various lines of shoes manufactured, but that would only be in the event that he was unable to ascertain the amount of money actually expended in advertising the American Lady shoes. **It is not a question of bookkeeping, but a question of fact,** and there is no dispute as to the facts, which are agreed upon by the parties and settled by the stipulations between them.

Those stipulations show that of the amount expended by the defendant during each of the periods of the accounting, 40 per cent thereof "had reference exclusively to the American Lady shoes". That being true, there was nothing left for the Master or the Court to do, we submit, but to either allow the defendant all of the moneys so shown to have been expended in advertising the American Lady shoe, or else to refuse to allow any of it.

However, since the Master found that "advertising

is as legitimate an item of expense in the business of a concern as labor, salaries, wages or any other expense necessarily incurred in the ordinary transaction of its business'' and ''has become one of the recognized methods of prosecuting a successful business'', and ''that generous advertising produces corresponding increase in profits'', we submit that there was nothing for the Master to do but to allow the defendant as an item of expense in the manufacture and sale of its American Lady shoes the amount of its advertising expense which the parties agreed referred exclusively to the American Lady shoes.

The Master refers to this advertising expense (Rec., p. 482) as the ''general cost of advertising'', as if all of the advertising was ''general'' advertising. If that were true, undoubtedly the defendant would only be entitled to prorate the advertising expense among all of the shoes sold by it, including the American Lady. But the fact is that the advertising which the defendant seeks to deduct was ''special'' advertising—advertising which ''referred **exclusively** to the American Lady shoes'', as distinguished from ''general'' advertising which was alike beneficial to all of the shoes manufactured and sold by the defendant. In the latter case it is manifest that the only proper method to pursue would be to prorate the advertising expense among all of the defendant's shoes, but in the former case, where the advertising was ''special advertising'', which had reference exclusively to the American Lady shoes, so that no other of the defendant's shoes could receive any benefit of such advertising, it is, we submit, unfair, unjust and inequitable and out of harmony with all reason to not charge that special advertising to the American Lady shoes which were benefited by it, and to

charge it as general advertising which would be equally beneficial to all shoes.

As a matter of fact, in addition to the 80 per cent of the advertising of the defendant which referred exclusively to the American Lady and American Gentleman shoes and which was divided equally between them, 20 per cent of the advertising was "general" advertising and, of course, the American Lady shoes would be entitled to their *pro rata* of that advertising expense, but we have not claimed this allowance, contenting ourselves with a claim that we are entitled to be allowed for the advertising which the record shows **referred exclusively to the American Lady line of shoes.** This general advertising amounted to no small sum, $165,639.00 during the four years of the accounting, or more than $40,000.00 a year.

Unquestionably the advertising of the American Lady shoes by the defendant, which advertising had reference exclusively to the American Lady shoes, was effective and resulted in giving the said shoes a name and fame throughout the length and breadth of the land. Numerous of the complainant's own witnesses testify in regard to calls for American Lady shoes and they say that these calls were made in the same way as calls for Dorothy Dodd, Sorosis, Queen Quality, and other extensively advertised shoes (Rec., pp. 104, 13, 22), and what is more important and absolutely conclusive, the record shows that the sales of the American Lady shoes increased from 491,849 pairs during the first period of the accounting to 752,591 pairs during the fourth period of the accounting (see item 1 of table opposite page 100 of Master's report, Rec., p. 549), a gain of more than 50 per cent in three years. Surely no fair-minded man can say that this was not due to

the extensive advertising which "had reference exclusively to the American Lady shoes", and we cannot believe that any court, when it appreciates the facts, will refuse to charge to the business thus so enormously and directly and exclusively benefited by that advertising, the expense incurred in so extensively and exclusively advertising it.

Is it not mere mockery to say that advertising is as legitimate an item of expense as labor, salaries or wages, and has become one of the recognized methods of prosecuting a successful business, and to then refuse to allow the defendant as an item of expense the amount of money which the complainants agree that it did expend in advertising which had reference exclusively to "American Lady" shoes?

The injustice of this will be even more manifest when considered in the light of the testimony of the complainants' witnesses that the calls for American Lady shoes were made in the same way as calls for Dorothy Dodd, Queen Quality and other "advertised" shoes. Now, if the manufacturers of those other advertised shoes also manufactured other lines of shoes, but their advertising which has built up this name and fame for those advertised shoes has referred exclusively to them, would it not be improper and unfair not to charge the advertising to those advertised shoes and to prorate it among all of the shoes manufactured by them? We think so, and if it would be wrong in such a case it is equally wrong in this one.

By refusing to charge to the American Lady line of shoes the advertising which referred exclusively to that line of shoes and by prorating it among all of the shoes sold by the defendant, the Master and the Court of Appeals deprived this defendant of a credit in com-

puting the expense of manufacturing its American Lady shoes amounting to $186,278.68, as pointed out on page 75 of the Master's report (Rec., p. 523), thus adding to the amount of the finding against the defendant the immense sum of $186,278.68.

Interest on Capital.

Another item under this head is the item of "interest on capital" which the parties stipulated (Rec., p. 902) was "devoted exclusively to the American Lady line of shoes". As pointed out above, in the stipulations of June 4, 1910, and January 11, 1911, it was stated (Rec., pp. 831, 898) "that the defendant took the position that the difference between the cost of manufacturing American Lady shoes, and the amount credited to the factory by the wholesale house for those shoes, did not represent the profit on those shoes, because in arriving at the expense of manufacture "the expense of advertising" and "interest on the capital invested" in the American Lady business had not been deducted. Thus, early in the accounting, the defendant took the position that it was entitled to be allowed, and would claim, interest on the amount of its capital which was devoted to the American Lady line of shoes, as a proper charge to be considered in determining the amount of its profits on those shoes during the period of the accounting.

In doing so the defendant based its claim upon the decisions of this Court in the cases of Manufacturing Co. v. Cowing, 105 U. S. 253, 257, and Seabury v. Am. Ende, 152 U. S. 561, the decision of Mr. Justice Nelson and Judge Shipman in the case of Troy Iron and Nail Factory v. Corning, Fed. Cas. No. 14,196, and the decision of Judge Wheeler in the case of Steam Stone

Cutter Co. v. Windsor Mfg. Co., Fed. Cas. No. 13,335. In each of those cases the Court recognized and applied the principle that where it is possible to ascertain the amount of the defendant's capital that is invested in the business accounted for, or the value of its facilities used in the business, the defendant is entitled to be allowed interest on the capital so invested, for the reason, as stated by the courts, that the manufacture of the article cost the defendant the use of such capital and facilities and was "a necessary ingredient in the expense of manufacturing"; that "the **whole** cost belongs to the defendant and no sound reason is apparent why this part should be left out", and that it should be "allowed as part of the expense account".

In the case of Manufacturing Co. v. Cowing, 105 U. S. 253, 257, this Court held that in computing the defendant's profits on an accounting he should be allowed "for the use of tools, machinery, power, and other facilities employed in the manufacture" and it disapproved the report of the Master in that case, for the reason that he had failed to make such allowances.

In Seabury v. Am. Ende, 152 U. S. 569, 570, this Court pointed out as a reason for its ruling in Manufacturing Co. v. Cowing, the fact that in that case "the machinery was used for no other purpose" than the manufacture of the pumps accounted for. In the case of Seabury v. Am. Ende the Supreme Court held, however, that inasmuch as "the defendant's plant and real estate were used for several other and wholly different kinds of manufacture than the patented article, and the evidence offered to distinguish between the profits derived from the use of the plant and real estate for making the borated cotton and those attributable to the other sources of profit, was not sufficient to enable the

Master to make a satisfactory apportionment or allowance for interest on the investment", the Master was right in refusing to make an allowance for interest on the capital invested in the defendant's business. This Court, in that case, did not hold, as does the Master in this case, that interest on capital cannot be allowed in diminution of the defendant's profits. Indeed, a close study of that case shows that what this Court in effect held was that where, as in this case, it is made to appear what proportion of the defendant's capital is invested in the business, interest on such capital will be allowed in diminution of the defendant's profits, in harmony with its decision in Manufacturing Co. v. Cowing, 105 U. S. 257.

One of the decisions relied upon by the Master to support his ruling on this question is the decision of the Circuit Court in this same case of Seabury v. Am. Ende, at page 672 of 43 Fed., where, in overruling exceptions to the Master's report, Judge Wallace said of an exception to the refusal of the Master to allow interest on capital in computing the defendant's profit:

> "The Master properly refused to allow the defendant, as an element of the 'factory cost', interest on the capital of the corporation invested in its business."

On appeal to this Court from this ruling of Judge Wallace on the exceptions to the Master's report, his ruling on all of the exceptions except this one relating to interest, was affirmed without comment, this Court using this language, found at page 569 of 152 U. S.:

> "Errors are complained of in the action of the court below in overruling defendant's exceptions to the Master's report. So far as those exceptions

> are based on the computations and findings of the Master, under the evidence before him, as to the profits made by the defendant, we see no reason to differ with the court below in overruling them. **The claim that the appellants should be allowed,** as part of the cost of the borated cotton during the period covered by the accounting, **interest on plant, and capital invested, calls for more particular notice**'' (bold-face type is ours).

This Court then pointed out that while in the case of Rubber Co. v. Goodyear, 9 Wall. 804, interest on capital had not been allowed in diminution of profits, in the later case of Manufacturing Co. v. Cowing, 105 U. S. 257, in which the facilities of the defendant ''was used for no other purpose'' than the manufacture of the article inquired about, such an item was allowed. It then pointed out, as we have done above, that in the case then under consideration, the defendant's facilities were used for several other and wholly different kinds of manufacture **and that it was not possible to distinguish between the profits attributable to the infringing article and the other articles of manufacture so as to make an apportionment or allowance for interest on capital, and for that reason such an allowance would not be made in that case.**

It is true that this Court did not in terms hold in that case that where it is clearly made to appear that a certain definite portion of the defendant's capital was devoted exclusively to the alleged infringing business, interest on such capital should be allowed in computing the defendant's profits. But it is readily apparent from reading the opinion in that case that the only reason this Court did not so hold was because the facts in that particular case would not warrant

the application of such a rule to that case. It did not hold, as did Judge Wallace at the Circuit, that interest should not be allowed in any case, and it refused to affirm the ruling of Judge Wallace on that point without stating its reason for doing so, and it gave as its reason, as stated above, the fact that it was not possible to distinguish between the profits attributable to the infringing business and the profits attributable to the other business. This Court then went on to say (see pages 569-570 of 152 U. S.):

> "We do not wish to be understood as holding that in no case where the plaintiff's damages are measured by the defendant's profits ought there to be an allowance, in the latter's favor, of interest on the money invested in the plant. Nor do we say that such an allowance may not be properly made, even where the use of the plant is not wholly restricted to making the infringing article. But **the evidence, in such a case, should enable the Master to satisfactorily apportion the interest between the several kinds of business**" (bold-face type is ours).

This Court thus overruled the doctrine laid down by Judge Wallace at the Circuit, that interest on capital cannot be allowed in any case, and which was founded on the ruling in Rubber Company v. Goodyear. If the latter case is to be construed as holding that in no case can interest on capital be allowed in diminution of profits, then, we submit, that case is overruled by the ruling in Seabury v. Am. Ende, 152 U. S. 569-570, in which it held that where the record shows the amount of capital which was devoted to the infringing business, interest on such capital may properly be allowed in diminution of the defendant's prof-

its; also by the ruling in Manufacturing Co. v. Cowing, 105 U. S. 257, in which the defendant's business was restricted to the manufacture of the infringing article and in which **such an allowance was made.**

Not only is the doctrine laid down by Judge Wallace at the Circuit in the case of Seabury v. Am. Ende overruled by this Court in that very case and in conflict with the decision of this Court in the case of Manufacturing Co. v. Cowing, but it is in direct conflict with the very able and well-considered decision of Mr. Justice Nelson and Judge Shipman in the case of Troy Iron & Nail Factory v. Corning, Fed. Cas. No. 14,196, and with the decision of Judge Wheeler in the case of Steam Stone Cutter Co. v. Windsor Mfg. Co., Fed. Cas. No 13,335.

In the latter case the Master, in computing the defendant's profit, had allowed as an element of the cost of manufacture of the infringing article an item for the use of real estate. When the matter came before Judge Wheeler on exceptions to the Master's report, he overruled the exception to the allowance of this item by the Master and he said:

> "The machine cost the defendant the use of this real and personal estate, the shops, fixtures and machinery. They could not have been made without iron. The **whole** cost of the machines belongs to the defendant, and no sound reason is apparent why this part should be left out. The personal efforts of a mere wrongdoer are not a proper subject for compensation to be allowed by a court, but this stands on a different footing. The orator had no right to the use of shops and machinery, and has no right to the money brought by that use."

In the case of Troy Iron & Nail Factory v. Corning,

Fed. Cas. No. 14,196, Mr. Justice Nelson and Judge Shipman had before them a case in which the Master had allowed the defendant, as elements of the cost of manufacture, "for the use of water-power, buildings, lands, machinery and tools for spike-factory purposes". In speaking of this allowance Mr. Justice Nelson and Judge Shipman, in an opinion by Judge Shipman, said (page 235 of 24 Fed. Cas.):

> "This property, we may call for convenience, the fixed capital used by the defendants in the business of manufacturing these spikes * * *. The material points involved in this aspect of the case will appear more clearly by citing the language of the report. The Master says: 'A part of the expense of manufacturing hook-headed spikes, made with the use of the bending lever, by the proprietor of the Albany Iron Works, was the value of the occupation, and use of the real estate, buildings, water-power, dams, bulkheads, water-wheels, and other fixtures and machinery, machines and tools, exclusively employed by the spike factory department, in the manufacture and storage of its production, etc., and of the materials used by its mason, carpenter, blacksmith, etc., from time to time. Schedule O, hereto annexed, and forming a part of this, my report, contains an estimate, which I have made, from the testimony, of the average values * * * of the water-power, the spike-factory building, the spike-factory store house, and of the dam, bulkhead, water-wheel and propelling machinery, and of the machinery and tools in the spike-factory' * * *. The report then proceeds to allow eight per cent per annum on the estimated value of this part of the spike-factory property, and to allow such a proportion of the amount as was properly charge-

able to the hook-headed spikes, leaving the balance out, as belonging to the other articles manufactured in the spike factory * * *.

"The plaintiff contends that this is in the nature of rent, for the use of premises which the defendants had already erected for their other business, and, that, therefore, it should not be allowed as an item in their expense account. But we do not see how the true amount of profit derived from the use of the machines is to be determined, without deducting from the value of the articles made, all the elements of cost in their production. The use of shop room and tools is a necessary ingredient in the expense of manufacturing most articles, and we see no reason why it must not be estimated and allowed as part of the expense account * * *. On the whole, we think, the allowance of the items embraced in this exception was correct, on principle."

Thus we have an express decision by Judge Wheeler that the defendant is entitled to be allowed, as an element of the cost of production, for the use of facilities employed by it in the production of the article accounted for, for the reason, as he says, that:

" 'The machine cost the defendant the use of' such facilities and 'could not have been made without such use.' "

Also we have the express decision of Mr. Justice Nelson and Judge Shipman that the defendant is entitled to be allowed as an element of "the cost of production" for the use of facilities employed by it in the production of the article accounted for, for the reason, as they said, that:

"The use of the shop room and tools is a necessary ingredient in the expense of manufacturing."

And they approved the report of the Master in which he had allowed the defendant, as the value of the use of its facilities in the production of the articles accounted for, "eight per cent per annum on the estimated value of this part of the spike-factory", or, in other words, interest on the amount of its capital which was invested in those facilities. That case is, therefore, exactly analogous to the case at bar in which the defendant is asking for an allowance for interest on the capital which the stipulation shows was "devoted exclusively" to the American Lady shoe business during the period of the accounting.

Those decisions of Judge Wheeler in Steam Stone Cutter Co. v. Windsor Mfg. Co., Fed. Cas. No. 13,335, and of Mr. Justice Nelson and Judge Shipman in Troy Iron & Nail Factory v. Corning, Fed. Cas. No. 14,196, are in exact accord with the decisions of this Court in Manufacturing Co. v. Cowing, 105 U. S. 257, and Seabury v. Am. Ende, 152 U. S. 570, and with the position of the defendant in the case at bar. They are in direct conflict with the position of the Master and the construction which he seeks to place upon the decision in the case of Rubber Co. v. Goodyear, 9 Wall. 804, and with the doctrine laid down by Judge Wallace at the Circuit in the case of Am. Ende v. Seabury, 43 Fed. 672.

With those cases before them, and bearing in mind the distinction thus clearly pointed out by this Court—that where the proportion of the defendant's capital which was invested in the infringing business is shown, the defendant is entitled to be allowed interest thereon in computing its profits made in such business; but that if the defendant manufactures articles other than those accounted for and the evidence fails to distinguish between the capital invested in the business relating to

the different articles, interest cannot be allowed—counsel proceeded to draft a stipulation relating to the capital invested in the defendant's business in the American Lady line of shoes which would meet the distinction thus made by this Court. They accordingly specified in that stipulation the proportion of the defendant's capital which was devoted to the American Lady line of shoes and to make it absolutely clear that no other line of shoes manufactured by the defendant profited by the use of this capital in any way, it was stipulated that this capital **"was devoted exclusively to the American Lady line of shoes"**.

If the decisions of this Court in the cases referred to mean anything at all then clearly the defendant is entitled to the benefit of the principle of those decisions. It would be impossible to bring a case more clearly within the principle of those decisions than the case at bar, in which the stipulation was drafted for the purpose and with the intention of meeting the requirements of those decisions. Those decisions have never been overruled. The facts and stipulations in this case meet them squarely and show that the item of "interest on capital", which the Master disallowed (Rec., p. 541) and which amounts to $63,364.45, should be deducted from the amount of the defendant's profits as determined by the Master, in determining the real amount of the defendant's profits.

We respectfully submit that the action of the Master and of the Court of Appeals in refusing to allow the defendant, as an element of the cost of manufacturing and selling American Lady shoes, interest on its capital which was devoted exclusively to the American Lady line of shoes, over and above borrowed moneys, is erroneous and in conflict with the decisions of this Court and other Federal courts in analogous cases.

Moneys Paid for Taxes and Insurance Should be Allowed as Elements of Expense in Computing Cost of Manufacture.

The principles applying to the items of "advertising" and "interest on capital" apply also to the other items mentioned under this head. We invoke what has already been said regarding those items and also submit the following:

In support of his ruling that those items cannot be allowed in diminution of profits, the Master cites (Rec., p. 537), Winchester Arms Co. v. American Buckle and Cartridge Co., 62 Fed. 278; Steam Stone Cutter Co. v. Windsor Mfg. Co., 17 Blatch. 24, Fed. Cas., No. 13,335; Folding Box and Paper Co. v. Dayton Paper Novelty Co., 95 Fed. 993; Piaget Novelty Co. v. Headley, 123 Fed. 897.

In the case of Winchester Arms Co. v. American Buckle & Cartridge Co., 62 Fed. 278, the defendant was the owner of certain patents relating to paper cartridge making machinery which it sold to a third party known as the Peters Company, and as a part of the same transaction it agreed to and did manufacture for the Peters Company a set of machinery with which to manufacture the cartridge shells. The complainant sued the defendant, claiming that this machinery infringed patents owned by it, and it obtained a decree in its favor. On accounting the Master allowed the defendant "for general expenses and superintendence, 26 1/5 per cent" of the amount which the Master found to be "the actual cost of the whole machinery," and which he allowed to the defendant in diminution of its profits. This allowance was based upon the defendant's

estimate that in its buckle business its expense on account of "general expense and superintendence" amounted to 25 per cent of the actual cost of its goods. The item of "general expense and superintendence" thus allowed by the Master included "officer's salaries, engineer's salary, teamsters' salary, coal, oil, water, and gas, hay, feed, and barn expenses, waste, emery and other supplies, insurance, taxes and an excessive sum for the use of real estate and machinery." In passing upon exceptions to the Master's report, Judge Shipman said of this allowance, pages 280 and 281 of 62 Fed.:

> "The defendant is a buckle manufacturer, and, for the purpose of inducing the Peters Company to buy its patents, undertook to make paper cartridge shell machinery. It purchased the bodies of the machines, hired a foreman and six machinists, and set them to work upon its drawings. **The buckle business was the one upon which the officers were engaged, and for which they built their factory, bought their machinery, and in which they occupied themselves, and for which they were paid salaries,** and an allowance of 26 1/5 per cent for the superintendence, and general expenses of **this single infringement, which was entirely outside of and detached from its regular business** is excessive. While the usual and reasonable salaries of such portion of the managing officers as have concern with the infringing business are to be allowed, the items of taxes, insurance and use of real estate owned by the infringer are not a part of general expenses. It is proper to allow 'for the use of tools, machinery, power, and other facilities employed in the manufacture.' Manufacturing Co. v. Cowing, 105 U. S. 253."

Judge Shipman then reduced the allowance on account of this item from 26 1/5 per cent to 10 per cent.

It is easy to see why the items of insurance, taxes and the use of real estate ought not to have been allowed in diminution of the defendant's profits in the case of Winchester Arms Company v. American Buckle and Cartridge Company and why Judge Shipman sustained an exception to such allowance by the Master. As pointed out by Judge Shipman, the defendant was in the buckle business and not in the business of manufacturing cartridge making machinery. However, it owned certain patents relating to cartridge making machinery which it was anxious to sell. The Peters Company agreed to buy those patents upon condition that the defendant should build for it a set of the machinery. The deal was made upon that basis and in carrying out its contract the defendant built one single set of the machinery. It is thus clear that in arriving at the expense to the defendant of that single set of machinery which it built specially and which did not relate in any manner to its general business, it should not be allowed for moneys expended in payment of taxes and insurance or for the use of real estate, all of which related to its general business and were not affected in any manner, either increased or diminished, by the fact that the defendant had built that particular set of machinery. Therefore, it is clear that the ruling, in that case cannot apply to a case in which, as in this case, the business inquired about is a continuing business and in which the items of taxes and insurance were directly affected by the fact that this business was carried on and in which the facilities employed by the defendant in the business were devoted to that particular business.

The next case cited by the Master on this point is the case of Steam Stone Cutter Co. v. Windsor Mfg. Co., 17 Blatch. 24, Fed. Cas. No. 13335, in which the Master in making his report had allowed as an element of cost of manufacture items for taxes, use of real estate and insurance. The matter of these allowances came up before Judge Wheeler on exceptions to the Master's report and he overruled the exceptions directed to the allowance for the use of real estate as an element of the cost of production and, in speaking of this exception, he said, at page 28 of 17 Blatch.:

> "The machines cost the defendant the use of this real and personal estate, the shops, fixtures and machinery. They could not have been made without such use any more than they could have been made without iron. The **whole** cost of the machines belongs to the defendant, and no sound reason is apparent why this part should be left out. The personal efforts of a mere wrongdoer are not a proper subject for compensation to be allowed by a court, but this stands on different footing. The orator had no right to the use of shops and machinery, and has no right to the money brought by that use."

After thus holding that the use of real estate and other facilities used in the manufacture should be allowed for as elements of the cost of production, Judge Wheeler sustained the exceptions to the allowance for insurance and taxes, on the ground that: "The insurance was no part of the cost of manufacture. It was not put upon the property because it was engaged in this business. * * * The insurance was not for the benefit of this manufacture"; and on the ground that the "taxes are assessed upon property according to its value, and not on acount of its employment",

and that they "would have been precisely the same if the property had been engaged in other business, or had been otherwise invested, or had been lying idle and unproductive. So the payment of the taxes did not have, or, at most, is not shown to have had, any effect whatever upon the cost of the machines".

We do not agree with Judge Wheeler in his reasoning against the allowance of the items of insurance and taxes as elements of the cost of manufacture of the infringing article and it appears to us to be in conflict with his well-considered and clearly-expressed reasons for allowing for the use of real estate and other facilities employed in the manufacture.

Judge Wheeler very properly holds that the defendant should be allowed for the use of the defendant's real estate and other facilities used in the manufacture of the infringing article for the reason that the **whole** cost of the article should be allowed and "the machines cost the defendant the use of this real and personal estate, the shops, fixtures and machinery. They could not have been made without such use, any more than they could have been made without iron". Judge Wheeler's decision on this point is in strict accord with the decision of Mr. Justice Nelson and Judge Shipman in the case of Troy Iron & Nail Factory v. Corning, Fed. Cas. No. 14196, in which the Master allowed the defendant, as elements of the cost of manufacture, "for the 'use of water-power, buildings, lands, machinery and tools for spike-factory purposes' ". In speaking of this allowance Mr. Justice Nelson and Judge Shipman, in an opinion by Judge Shipman, said (page 235 of 24 Fed. Cas.):

> "**This property we may call for convenience, the fixed capital used by the defendants in the busi-**

ness of manufacturing these spikes. * * * The material points involved in this aspect of the case will appear more clearly by citing the language of the report. The Master says: '**A part of the expense of manufacturing** the hook-headed spikes, made with the use of the bending lever, by the proprietor of the Albany Iron Works, **was the value of the occupation, and use of the real estate, buildings, water-power, dams, bulkheads, water-wheels and other fixtures and machinery, machines and tools, exclusively employed by the spike-factory department, in the manufacture and storage of its productions,** etc., and of the materials used by its mason, carpenter, blacksmith, etc., from time to time. Schedule O, hereto annexed, and forming a part of this, my report, contains an estimate, which I have made, from the testimony of the average values * * * of the water-power, the spike-factory building, the spike-factory storehouse and of the dam, bulkhead, water-wheel and propelling machinery, and of the machinery and tools in the spike-factory'. * * * **The report then proceeds to allow eight per cent per annum on the estimated value of this part of the spike-factory property,** and to allow such a proportion of the amount as was properly chargeable to the hook-headed spikes, leaving the balance out, as belonging to the other articles manufactured in the spike-factory. * * *

"The plaintiffs contend that this is in the nature of rent, for the use of premises which the defendants had already erected for their other business, and that, therefore, it should not be allowed as an item in their expense account. **But we do not see how the true amount of profit derived from the use of the machines is to be determined, without deducting from the value of the articles made, all the elements of cost in their production. The**

> **use of shop room and tools is a necessary ingredient in the expense of manufacturing most articles, and we see no reason why it must not be estimated and allowed as part of the expense account.** * * * On the whole, we think, the allowance of the items embraced in this exception was correct, on principle."

Judge Wheeler's ruling that the defendant should be allowed for the use of real estate and facilities employed in the manufacture of the infringing article as an element of the cost of production is also in accord with the decision of the Supreme Court in Manufacturing Co. v. Cowing, 105 U. S. 257, where the Supreme Court held that the defendant was entitled to be allowed "for the use of tools, machinery, power and other facilities employed in the manufacture" and it is also in accord with the decision of the Supreme Court in Seabury v. Am. Ende, 152 U. S. 672, in which it was held that such an allowance may be made on account of interest on capital invested in the infringing business where it is possible to distinguish between the infringing business and the other business of the defendant.

It being settled, therefore, that the defendant is entitled to be allowed for the use of real estate and facilities devoted to the infringing business or to its equivalent of interest on the capital invested in such facilities, we are unable to see how the items of insurance and taxes can be excluded and why they should not be allowed on the same principle.

In Troy Iron & Nail Factory v. Corning, Mr. Justice Nelson and Judge Shipman held that the defendant

was entitled to an allowance for the use of real estate and facilities, because, as they said:

> "The use of shop room and tools is a necessary ingredient in the expense of manufacturing,"

and they allowed, "as part of the expense account," interest on the money invested in such facilities as being the value of their use.

In Steam Stone Cutter Co. v. Windsor Mfg. Co., Judge Wheeler held that the defendant was entitled to an allowance for the use of real estate and facilities as an element of the cost of manufacture, because, as he said:

> "The machines cost the defendant the use of this real" estate and facilities and "could not have been made without such use, any more than they could have been made without iron."

Now if the articles accounted for "could not have been made without" the use of the defendant's facilities, so that their use "is a necessary ingredient in the expense of manufacturing," how can it be said that the payment of taxes on such facilities was not also a necessary incident to the use of such facilities for that purpose? Could the defendant use his facilities for the purpose of that manufacture without paying taxes thereon? And if the defendant must pay taxes on facilities while employed in that manufacture, why are not those taxes a necessary incident to the employment of his capital and facilities in that manufacture? It seems clear to us that the two items must stand or fall together and if an allowance is to be made for one, an allowance should also be made for the other, while if an allowance is not to be made for one then no allowance should be made for the other.

So, also, we believe that the expense of insurance on the facilities employed in the production of the infringing article is a necessary incident to their employment in that way. Ordinary business methods require that the defendant should keep his plant and facilities insured and the expense of keeping them insured ought to be and invariably is charged as an expense against the business in which such facilities are employed. Therefore if the defendant is entitled to an allowance by reason of the fact that his facilities were used in the production of the infringing article, it must follow, we submit, that he is entitled to charge against their use the money spent in keeping those facilities insured while thus employed.

The next case relied upon by the Master is the case of National Folding-Box & Paper Co. v. Dayton Paper Novelty Co., 95 Fed. 991, in which the Court used this language at page 993 of 95 Fed.:

> "Another item for which defendant asks credit under general expenses is insurance, amounting to $1,752. This is an improper item, and should be disallowed."

That is all that the Court said on this point. It cited the cases of Steam Stone Cutter Co. v. Windsor Mfg. Co., Fed. Cas. No. 13,335, and Winchester Repeating Arms Co. v. American Buckle & Cartridge Co., 62 Fed. 279, in support of its ruling, and as we have already discussed those cases we respectfully refer the Court to our discussion of those cases elsewhere in this brief.

So also with reference to the case of Piaget Novelty Co. v. Headley, 123 Fed. 897, in which the Court said of the report of the Master:

> "The Master was entirely within the rule * * * in disallowing defendant's claim for insurance."

The authority cited by the Court to sustain that conclusion was the case of National Folding-Box & Paper Co. v. Dayton Paper Novelty Co., 95 Fed. 991, and as no other reason or authority was given in support of that ruling we do not deem it necessary to discuss that case here for the reasons given in our reference to the case of National Folding-Box & Paper Co. v. Dayton Paper Novelty Co.

We respectfully submit that the Master erred in his voluntary and unsolicited rejection of the items of "Taxes" and "Insurance" from the items which complainant's expert witness Kribben had considered as elements of the cost of production of the American Lady Shoe.

Defendant Should Be Allowed for "Depreciation of Real Estate" as an Element of Cost of Production.

Another item of expense which the Master rejected, although it had been allowed as an element of expense in the cost of production of the American Lady shoe by complainant's expert witness, Mr. Kribben, is the item under the heading "Depreciation of Real Estate".

In this connection it will be noted that not only did the complainant not object to this allowance, but at pages 3 and 4 of its rebuttal brief before the Master (Rec., p. 983) it practically conceded that this item was properly allowed where it referred to the fact that this item had been allowed as a reason why the defendant should not also be allowed for interest on capital invested in the American Lady business.

To support his finding respecting this item the Master quotes from the decision in the case of Winchester Arms Co. v. American Buckle & Cartridge Company, 62 Fed. 278, as follows:

> "The items of taxes, insurance and use of real estate owned by the infringer are not a part of general expenses."

In the first place, as before pointed out in this brief, that case was a special case in which, under the facts in that case, the defendant ought not under any view of the law to have been allowed for the items thus rejected. Then, again, **the Court in that case does not say one word about "depreciation of real estate" and it does not appear that such a question was raised or considered in that case.** That remark of the Court with reference to the refusal of an allowance for use of real estate is shown elsewhere in this brief to be in conflict with the decisions of the Supreme Court in Seabury v.

Am. Ende, 152 U. S. 570, and in Manufacturing Co. v. Cowing, 105 U. S. 257, and to be in conflict with the decision of Judge Wheeler in Steam Stone Cutter Co. v Windsor Mfg. Co., Fed. Cas. No. 13,335, and also to be in conflict with the decision of Mr. Justice Nelson and Judge Shipman in Troy Iron & Nail Factory v. Corning, Fed. Cas. No. 14,196. Therefore, it is apparent that that decision in Winchester Repeating Arms Co. v. American Buckle & Cartridge Co., 62 Fed. 278, could not be held to support the position taken by the Master here even if it were in point, which it is not.

The only other case cited by the Master to support his finding on this point is the decision of the Supreme Court in the case of Rubber Co. v. Goodyear, 9 Wall. 803, in which the Master's report contained this statement:

> "Large amounts appear by the books to have been expended in repairs of building and machinery, tools and fixtures. No further allowance is made by the Master for wear and tear and depreciation."

Referring to this statement in the Master's report, the Supreme Court said:

> "The allowance for repairs and other items mentioned in this connection doubtless exceeded the wear and tear which could have occurred during the time of the infringement."

In that case, also, not one word is said against an allowance for "depreciation of real estate". Indeed, the only inference to be drawn from what is said with reference to this item is that the Supreme Court considered "depreciation of real estate" a proper element of cost of production to be allowed in computing the

defendant's profit but which was not allowed in that case for the reason that the defendant had been allowed its equivalent in "large amounts" which were "expended in repairs of building and machinery, tools and fixtures" which, as the Supreme Court found, "doubtless exceeded the wear and tear which could have occurred during the time of the infringement."

Not one word is said in either of these cases against the propriety of allowing such an item as an element of the cost of production and the Master certainly was hard put to find authorities to support his action in restoring this item, after it had been allowed as an element of the cost of production by complainant's expert witness, Mr. Kribben, when he is forced to rely upon these two cases for citations to support him upon this point. Neither of these cases do support the Master in this matter and he is therefore entirely without authority to support his volunteered and unsolicited ruling adverse to the defendant on this point.

Not only does the case of Rubber Co. v. Goodyear by inference authorize the allowance of this item, and complainant in its brief before the Master inferentially conceded the propriety of its allowance by its expert witness, as pointed out above, but numerous authorities support its allowance on principle. As we have repeatedly pointed out in this brief, the case of Seabury v. Am. Ende, 152 U. S. 570; Manufacturing Co. v. Cowing, 105 U. S. 257; Troy Iron & Nail Factory v. Corning, Fed. Cas. No. 14,196, and Steam Stone Cutting Co. v. Windsor Mfg. Co., Fed. Cas. No. 13,335, are unanimous to the effect that the defendant is entitled to be allowed for the use of real estate and facilities employed in the manufacture because, as one of the cases put it, "the machines cost the defendant the

use of" the real estate and facilities and "could not have been made without such use, any more than they could have been made without iron". Therefore, if the defendant is entitled to an allowance for the use of real estate and facilities employed in the manufacture, why is it not entitled to be allowed for the amount of the depreciation of such real estate and facilities which was a necessary incident to such use? It is not possible, we submit, to distinguish between the allowance for the value of the use of facilities employed in the production, which we have shown to be proper, and an allowance for the depreciation of such real estate and facilities while so employed, and which, therefore, was a necessary incident to that employment. By way of illustration, take a machine that is employed in the manufacture of the goods accounted for and allow the defendant interest on the value of that machine while it is used in the manufacture. Assume that that machine is used in that manufacture for four or five years and at the end of that time has as a necessary incident to its use depreciated in value 75 per cent. Can it be said that by allowing the defendant interest on the value of the machine alone he is compensated for the use of his machine, which was absolutely essential to the manufacture, without allowing anything for its depreciation in value which necessarily resulted from its use in the manufacture? Obviously at the end of the four or five-year period the defendant would have nothing but interest on the money invested in his machine originally, and which he would have been entitled to independently of any depreciation in the value of the machine, and as an incident to its use in the manufacture the machine would only be worth 25 per cent of its original value. Therefore, unless an allow-

ance were made for the depreciation, it is plain that the defendant would not be compensated for the use of his machine. What is thus true of a machine is also true of the defendant's real estate and any other of its facilities employed in the manufacture, and we believe that this demonstrates that the item "depreciation of real estate" was properly considered by complainant's expert witness Kribben, as an element of cost of production and that the Master erred in refusing to so consider it and in voluntarily and without solicitation adding it to the amount of defendant's profits as derived by complainant's expert witness, Mr. Kribben.

The Trade Discount Entered on Defendant's Book as "Advance Boston House" and "Allowance Boston House," Should Be Deducted in Computing Defendant's Profits.

The question as to the amount of defendant's profits was first raised in the defendant's reply brief (Rec., pp. 1057-8) filed with the Master, and served on complainant's counsel on April 17, 1911. In that brief defendant adopted the figures of complainant's expert witness Kribben, showing what the percentage of profit was that defendant made on its American Lady shoes, and defendant's counsel also deducted from the profit thus shown by complainant's witness Kribben the items of advertising and interest on capital which the stipulation of January 11, 1911, shows were not allowed for or considered by Mr. Kribben in arriving at the amount of profit shown by his report. Defendant's counsel then prepared and reproduced at pages 8 and 9 of defendant's reply brief (Rec., p. 1060) a table showing the number of pairs of shoes made by the Hamilton, Brown Shoe Company under the different styles of marking, the profit on those shoes as shown by Kribben's report, the amount that should be deducted from the profit shown by the Kribben report on account of advertising which related to the American Lady shoe, and the amount that should be deducted from the profit shown by the Kribben report on account of interest on capital devoted exclusively to the American Lady business. That table was carefully prepared and showed the exact amount of defendant's profit on each of the different styles of marking exclusive of the advertising item and the item of interest on capital.

So accurate was the table thus prepared by defend-

ant's counsel that the complainant's counsel adopted it and used it as a basis of their argument in their rebuttal brief, replying to the arguments contained in defendant's reply brief, and the Master adopted it as correct and reproduced it in his report (Rec., p. 549), and says of it, at page 85 of his report (Rec., p. 533):

> "I have adopted these tabulations so prepared as a table of my report,"

and again at page 88 of his report (Rec., p. 536) the Master said:

> "His work is accurately done and his statements of profits are correct upon the theory on which they are worked out."

As stated above, that table showed the amount of profits on defendant's American Lady shoes after the items of advertising and interest on capital had been computed in determining the expense of the American Lady business, in accordance which the stipulation of January 11, 1911, and Kribben report, or in the language of the Master, at page 87 of his report (Rec., p. 535):

> "Defendant's table is made up from the transcript from the expert's auditing of the defendant's books, as the same appears in the testimony of Mr. Kribben (Rec., p. 498a), and from the stipulation (Rec., p. 583)."

Complainant's counsel in their rebuttal brief adopted that table but contended "that the defendant should have no allowance for interest" and "should not be allowed for any money expended in advertising." It made no other objection to the amount of profits shown by defendant's table and which was based upon the

testimony of the complainant's witness Kribben, and the stipulation, except that it restored to the profits as thus derived by the defendant the amount of the advertising and interest on capital which had been deducted by the defendant and claimed that the sum of those items represented the true profits on the American Lady shoes under the different markings. It will, therefore, be seen that the question of the amount of defendant's profits submitted to the Master by the opposing parties and their counsel involved a decision on these two questions alone:

(1) Was advertising which related to the American Lady shoe a legitimate item of expense to be considered in determining the amount of the defendant's profit?

(2) Was interest on the amount of defendant's capital which was devoted exclusively to the American Lady shoe a proper item to be considered in determining the amount of defendant's profit?

If the Master should hold that those items were proper items of expense to be considered in determining the amount of the defendant's profits, then the Master had but to accept the claim of the defendant's counsel as to the amount of defendant's profits. If the Master should hold that those items, or either of them, were not proper items of expense to be considered in determining the amount of the defendant's profit, then the Master had but to restore one or both of these items to the amount claimed by the defendant to be its profit on the American Lady shoes under the different markings.

Does the Master follow either of these courses which were all that were contended for by the parties? Not at all. The Master contends, and holds, that in addition to the items of "advertising" and "interest on

capital", which complainant claimed should be added to the amount of the defendant's profit as shown by that table, there should also be added items under the heads of "Taxes," "Insurance," "Depreciation of Real Estate" and "Advance Boston House," thus going out of his way to add to the amount claimed to be the defendant's profit on American Lady shoes and increase the amount of his findings against the defendant by adding items which complainant's expert witness, Kribben, had excluded and which complainant's counsel did not ask to have added, did not claim should be added, and some of which they stipulated should not be added.

In this connection we call attention to the fact that in the Master's statement of the "points" made by the different parties, at pages 25 to 28 of his report (Rec., pp. 473-6), he omits all reference to any claim that the complainant might have made that the items of "Taxes," "Insurance," "Depreciation of Real Estate" or "Advance Boston House" were not proper items to be considered in computing the expense of defendant's business, or that their expert witness Kribben erred in considering those items in computing the expense of defendant's business, and that the amount thus deducted on account of these items should be restored and added to the amount of defendant's profits, as shown by the table. In preparing that list of points the Master included every contention made by either of the parties before him **and several that were not made and are not even now considered by the parties**, so that his failure to include any "point" relating to either "Taxes," "Insurance," "Depreciation of Real Estate" and "Advance Boston House," demonstrates that there was no claim before the Master that those items were improp-

erly considered items of expense or that they should be restored and added to the amount of defendant's profits as shown by the table. The Master did not seem to realize that his duties as Master did not require him to act as advocate for the complainant, but only required him to pass upon the issues presented by the counsel employed by the parties.

We will now take up the item of "Advance Boston House" which the Master thus voluntarily, and without solicitation by complainant or its counsel, holds to have been improperly considered as part of the expense of defendant's business by complainant's expert accountant, Mr. Kribben, and which he therefore restores and adds to the amount of profits as shown by the table.

At page 27 of his report (Rec., p. 475) the Master lists as the ninth "point" of the points which he says were made by the defendant before him, a point to the effect that the defendant claimed that it was "entitled to charge and has charged against the complainant in diminution of the profits (if any should be recovered) the *pro rata* share, which defendant claims should be borne by the 'American Lady' shoe, of certain overhead charges upon the books of the defendant, called 'Advance Boston House' and 'Allowance Boston House.' " As a matter of fact, this matter arose in this way:

Mr. Kribben, the expert accountant employed by the complainant to examine defendant's books and make a report of defendant's business, made a report to the complainant which is set forth in the record between pages 847 and 857. In that report Mr. Kribben shows that in arriving at the percentage of the defendant's profit he considered the items referring to the Boston House with the items of expense enumerated

in his report and in the last line of Exhibit 2 of that report (Rec., p. 852) he shows the percentage of defendant's jobbing profit, without allowing for advertising. In preparing the table defendant's counsel adopted the figures thus given by the complainant's expert witness, as is shown in item number three of that table (Rec., p. 1060), where the percentage of profit, as given by Mr. Kribben, is used as a basis of arriving at the defendant's profit and specific reference being made to Exhibit 2 of Kribben's report. It will thus be seen that the defendant did not make a claim, as represented by the Master, that the items referring to the Boston House should be considered in arriving at the defendant's profits, and that the fact is that Mr. Kribben, complainant's expert witness, took that position and defendant merely adopted Mr. Kribben's figures, which, however, are correct.

The Master says at page 74 of his report (Rec., p. 522) that "there is nothing in the record explaining what the 'Boston House' is." This is not correct, as appears from the stipulation between the parties which appears at page 892 of the record in this Court and which is quoted at page 73 of the Master's report (Rec., p. 521). The fact is that the "Boston House" is a customer of the defendant located at Boston and which distributes the defendant's shoes in the vicinity of Boston. A great many shoes are shipped to it for distribution each year by the Hamilton, Brown Shoe Company. On the goods thus shipped to the Boston House the Hamilton, Brown Shoe Company allows a trade discount, which, as the Court must know, is customary between wholesale houses and their customers. This trade discount represented the difference between the billing price of such shoes and the amount received by the

defendant in payment for them. In entering this discount allowed to the Boston House on the defendant's books the bookkeeper entered it under the title of "Advance Boston House" in the year 1908-9 and the next or succeeding year entered it under the title of "Allowance to Boston House." During the taking of proofs before the Master complainant's counsel stated that they did not understand what the item which appeared under the title "Advance Boston House" meant. This appears from a statement of Mr. Werner of complainant's counsel, on page 862 of the record, where, in referring to this item, he said: "We have not yet found out what the latter (Advance Boston House) means." Also, from the statement of Mr. Werner on page 868 of the record, where he said:

> "We would like to have an explanation of that * * * 'Advance Boston House' amount. We ought to know what those items mean and perhaps we ought to examine some witnesses on those items."

Also, from the statement of Mr. Werner at page 870 of the record, where he asked defendant's counsel to:

> "supply us with the explanation * * * with reference to the item 'Advance to Boston House'."

In reply to those requests for an explanation of the item entitled "Advance Boston House", defendant's counsel stated that they would ascertain the meaning of that item from the defendant and would then inform complainant's counsel of it, and at a subsequent session before the Master, defendant's counsel having ascertained the meaning of that item, they informed complainant's counsel of it, stating that that item was the same as the item for the next succeeding year un-

der the title "Allowance to Boston House", and that the two items represented the trade discount allowed the Boston House on the goods shipped to and distributed by it, and that they were entered on the books in that way in order to make the books of the defendant balance. Thereupon, on January 11, 1911, the parties entered into the stipulation which appears at page 892 of the record and which states plainly that the Boston House is a separate and distinct corporation from the defendant company, that goods are shipped to that house by the defendant, and that the defendant does not receive from the Boston House the billing price of the shoes, but receives a less amount, and that the difference between the billing price of the shoes and the amount received from the Boston House in payment for those shoes is represented by the amounts entered under the title "Advance Boston House" in the year 1908-9, and under the title "Allowance Boston House" in 1909-10, and it is stipulated that those items do not represent moneys paid to or advances to the Boston House by the defendant.

That stipulation was calculated to clear up any misunderstanding in regard to that matter, and it did clear it up to the satisfaction of counsel for both of the parties, and it was never again mentioned by counsel for either party in the further taking of testimony or in the briefs filed before the Master, and why the Master should resurrect it and then place a false and unwarranted construction on the stipulation entered into concerning it, and which was calculated to place it entirely beyond controversy, is simply impossible of explanation.

Why should the Master say, as he does at page 74 of his report (Rec., p. 522), that "there is nothing in

the record explaining what the Boston House is, what relation it bears to the defendant, or how it can affect the cost and yield of American Lady shoe?"

Why should the Master say, as he does at page 74 of his report (Rec., p. 522), that "there is nothing in the record or in the stipulation to show that any advances to the Boston House had any relation to or bearing upon the manufacture and sale of the American Lady shoes, or the profits resulting from such sale", when the stipulation expressly states that "those items do not represent moneys paid by the Hamilton, Brown Shoe Company to the Boston House or advances by the Hamilton, Brown Shoe Company to the Boston House?"

Why should the Master say, as he does at page 74 of his report (Rec., p. 522), that "the expense of the Boston House was a speculation and not a legitimate expense so far as this accounting is concerned" so that the complainant should not "be required to share in the expenses or losses growing out of the failure to make the speculation profitable," and why should he charge that the items referred to represent an expense incurred "in exploiting new business enterprises of the defendant", when there is not a thing in the record on which to found such a charge, and when the stipulation between the parties expressly shows the contrary, to-wit, that the Boston House was not a speculation of the defendant or a "new business enterprise of the defendant", and, on the contrary, that it was a business concern "separate and distinct" from the defendant company and that the items do not represent moneys paid or advanced to the Boston House, but merely the trade discount allowed it on the billing price of shoes shipped to it (Rec., p. 892).

As we have pointed out above, this matter of the allowance to the Boston House was a trade discount allowed on the billing price of goods shipped to a business house in Boston that is separate and distinct from the defendant. It was allowed in the regular course of business and complainant's counsel did not claim or contend, either before the Master or in either court, that it was not properly allowed. There is absolutely no more reason for disallowing it than there is for disallowing any other item of expense connected with defendant's business. It is proper. It was not contested by the complainant's counsel, and we submit that the Master erred in rejecting it and in his volunteered and wholly groundless insinuations concerning it.

CONCLUSION.

In conclusion, we respectfully submit that, for the reasons fully discussed in this brief, the judgment of the Court of Appeals is erroneous, that it is in conflict with decisions of this Court and with well-settled principles of law and equity.

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St. Louis, Mo., April, 1915.

APPENDIX.

Cartons in Which American Lady Shoes Were Packed, Shipped and Delivered to Its Customers by Defendant do Reach the Ultimate Purchaser With Each Pair of Shoes.

In the first place it is established by the stipulations made before the Master (Rec., pp. 828 and 895-6) that every pair of American Lady shoes sold by Hamilton, Brown Shoe Company since the filing of the bill, as said shoes were sold and shipped by the defendant, was sold and delivered to its customers in a carton, the markings on which carton are described at record page 828 and record pages 895-6 and illustrated at record page 432 and record page 832. A sample of these cartons is also in evidence (see defendant's exhibit, January 31, 1910, referred to at bottom of Rec., p. 828).

It is a presumption that people act in a reasonable manner. As these cartons form a desirable and suitable package for a pair of shoes, we submit that if there were no proof in the record that the retailer sold the shoes in these cartons provided for him by defendant as a convenient means for packing the shoes when the retailer sold them to a purchaser, the presumption would be that such a reasonable course was followed. But the evidence in this record is that the retailer did sell the defendant's American Lady shoes in these cartons and that the cartons of the defendant do reach the

ultimate purchaser with each pair of shoes, as we will now endeavor to point out.

When the complainant sent its detectives all over the Middle Western States purchasing American Lady shoes and then in connection with the testimony of those detectives produced those shoes in evidence in the main case, we believed and contended on the record that the testimony was absolutely irrelevant to any issue then presented by the pleadings. We are still of the opinion that we were right in our position with regard to that evidence, **at the time it was presented**; but at that time we were not confronted with many of the issues and questions that have arisen on this accounting. We realize now that if all of the issues and questions that developed on the accounting had been before the court on the first appeal then our objection to the relevancy of that evidence might not have been sound. We do not believe that complainant realized when it introduced that evidence how really important it might become in this case and that it might be used to discredit the theory upon which the complainant now hangs its whole case on this accounting. In taking that evidence we are positive that complainant builded better than it knew, for it thereby builded up a wall of testimony which must, we believe, absolutely bar any finding in its favor on this accounting.

Nine different pairs of American Lady shoes were offered in evidence by the complainant in the main case. The record fully discloses the circumstances under which each pair of those shoes was purchased. In connection with the claim of the defendant that the carton, bearing the name "Hamilton, Brown Shoe Co 's" and the name "American Lady" on the lid, and the name "American Lady" associated with the name

and word "Hamilton, Brown Shoe Co., Makers," and the belt trade-mark of the defendant on the end label, is **accompanying matter**, and that the defendant is not liable to account for shoes packed, shipped and delivered to its customers in such cartons, and the claim of the complainant that such cartons are not accompanying matter, it is interesting to examine the testimony showing the circumstances under which each of those nine pairs of American Lady shoes was sold by the dealers.

The first pair of these shoes which was offered in evidence was offered in evidence by the complainant at pages 79-80 of the record, at the close of the cross-examination of James J. Wolf, the vice-president and treasurer of the complainant company, and identified as "Complainant's Exhibit No. 19".

On cross-examination, James J. Wolf testified (XQ. 19-21, Rec., pp. 77-78) that the shoes were bought by him from a jobber in a carton which he described and which from his description (Rec., pp. 77-78) was clearly a regular American Lady shoe carton, although the carton itself was not offered in evidence.

The second pair of American Lady shoes offered in evidence by the complainant was offered in evidence in connection with the testimony of Victoria B. Ryan, a private detective employed by the complainant, who testified (Q. 3, Rec., 80) that she purchased the shoes August 11, 1906, at the Banks Store, Oran, Mo. That (Q. 6) the saleslady told her the shoe was made by "the Hamilton, Brown Shoe Co., St. Louis", "so I purchased the shoe for $2.75 **in this box**". The shoes and carton thus identified by the witness were then introduced in evidence as "Complainant's Exhibit No. 101" (Rec., p. 81).

The third pair of American Lady shoes offered in evidence by the complainant was also offered in evidence in connection with the testimony of the complainant's private detective, Victoria B. Ryan, who testified (Q. 9, Rec., p. 81) that she "purchased the shoes for $3.50, and got a receipt for the same. I got the shoes **in this box**" at the Boston Store, Peru, Indiana, August 25, 1906. The shoes and carton thus identified by the witness were then introduced in evidence as "Complainant's Exhibit No. 102" (Rec., p. 82).

The fourth pair of American Lady shoes offered in evidence by the complainant was also offered in evidence in connection with the testimony of the complainant's private detective, Victoria B. Ryan, who testified (Q. 11, Rec., p. 82) that she purchased them at Smith Brothers' store, Norris City, Ill., August 27, 1906; she "purchased the shoes for $3.00, and got a receipt for same." "These are the shoes, **the box they were packed in**, and the receipt given me by the clerk." The shoes and carton thus identified by the witness were then introduced in evidence as "Complainant's Exhibit No. 104" (Rec., p. 82).

The fifth pair of American Lady shoes offered in evidence by the complainant was also offered in evidence in connection with the testimony of the complainant's private detective, Victoria B. Ryan, who testified (Q. 12, Rec., p. 83) that on August 31, 1906, at the New York store, Litchfield, Ill., she "purchased the shoes for $3.00" in a carton, and the shoe and carton were offered in evidence as "Complainant's Exhibit No. 106" (Rec., p. 83). She testified that when selling her this pair of shoes the salesman told her "it was made in St. Louis by the Hamilton, Brown Shoe Company" (Q. 12, Rec., p. 83).

The sixth pair of American Lady shoes offered in evidence by complainant was also offered in evidence in connection with the testimony of the complainant's private detective, Victoria B. Ryan, who testified (Q. 15, Rec., p. 84) that she purchased them for $2.50 "at Springfield, Ill., September 1st, 1906", at the store of John P. Corey. That the salesman told her the shoes were **"made by Hamilton, Brown Shoe Company, St. Louis, Mo."** She identified the shoes and carton in which they were packed and delivered to her "by the mark in the inside, 'Mrs. D. W. R. and Mrs. E. J. S., September 1st, 1906,' and the same marks on the carton," and they were then introduced in evidence as "Complainant's Exhibit No. 108" (Rec., p. 84).

The seventh pair of American Lady shoes offered in evidence by the complainant was also offered in evidence in connection with the testimony of the complainant's private detective, Victoria B. Ryan, who testified (Q. 16, Rec., p. 84) that she purchased the shoes for $2.25 "at Clinton, Ill., September 4, 1906, in the Bargain Shoe Store". Mrs. Ella J. Swink, the other detective who was with Mrs. Ryan, testified (Q. 7, Rec., p. 89) that the saleslady told them the shoes were made by "Hamilton, Brown Shoe Company, St. Louis". The shoes and carton were introduced in evidence as "Complainant's Exhibit No. 109" (Rec., p. 84).

The eighth pair of American Lady shoes offered in evidence by the complainant was also offered in evidence in connection with the testimony of the complainant's private detective, Victoria B. Ryan, who testified (Q. 18, Rec., p. 85) that she "purchased them for $3.50" "at Greencastle, Indiana, September 17, 1906, at the Enterprise Dry Goods and Shoe Store." That the salesman told her the shoes were "made by Hamil-

ton, Brown Shoe Company, St. Louis, Mo." She identified the "shoes by the mark on the sole, 'Mrs. D. W. R., Mrs. E. J. S., September 17, 1906,' and the carton by the same marks," and the shoes and carton were then offered in evidence as "Complainant's Exhibit No. 110" (Rec., p. 85).

The ninth and last pair of American Lady shoes offered in evidence by the complainant in the main case was offered in evidence in connection with the testimony of Beatrice Geary, another private detective employed by the complainant, who testified (Q. 2, Rec., p. 92) that she purchased them for $3.50 from the Sterling Cash Store, Battle Creek, Michigan, October 16, 1906. That the salesman told her the shoes were "made by Hamilton, Brown Shoe Company of St. Louis". She testified: "This is the pair of shoes that I purchased **and this is the carton.** I marked the carton and the shoes with my initials, 'J. W. G.,'" and the shoes and carton were then offered in evidence as "Complainant's Exhibit No. 112".

The testimony of James J. Wolf (XQ. 19-21, Rec., pp. 77-78), in which he describes the carton in which he purchased the first of these nine pairs of "American Lady" shoes (Complainant't Exhibit No. 19), and in which he describes the carton as a carton with the name "American Lady," associated with the name Hamilton, Brown Shoe Company on the belt trademark of the defendant on the end label of the carton, also with the name Hamilton, Brown Shoe Company on the lid strip which comes down over the front end of the body of the carton and when in position forming a part of the front end of the complete carton, and the name "Hamilton, Brown Shoe Company" and the name "American Lady", shows that this carton, al-

though not offered in evidence, was a regular "American Lady" shoe carton.

An inspection of the cartons in which the other eight pairs of these "American Lady" shoes were purchased shows that each and every pair of those shoes was purchased by and delivered to the customer at retail in the regular American Lady shoe carton of the defendant, excepting only the seventh pair introduced in evidence. That seventh pair of "American Lady" shoes was purchased by the complainant's private detectives "at Clinton, Ill., September 4, 1906, in the Bargain Shoe Store", and the saleslady told them at the time (Q. 16, Rec., p. 84) that "the shoe sold for $2.50, but I could have it for $2.25". The carton bore the words "The Boston" (Q. 17, Rec., p. 85). The reason why this pair of shoes was packed in an odd carton and not the regular "American Lady" carton of the defendant can almost be gathered from this testimony of the complainant's private detectives. It will be noted from their testimony that this pair of shoes was purchased from the "Bargain" store and that the saleslady told them that while the selling price of the shoes was $2.50, they might have them for $2.25. The exact facts in regard to why this pair of shoes were in another carton and not in a regular "American Lady" carton are made clear, however, by the testimony of Robert Kelly, the proprietor of the "Bargain Shoe Store", and Rose Kelly, his wife, who waited on the complainant's detective witnesses and sold them this pair of shoes. When called by the defendant to explain the facts in regard to this matter, Mr. Kelly testified (Q. 2, Rec., p. 261) that in September, 1906, he was running the "Bargain Shoe Store" at Clinton, Ill. That (Q. 4, Rec., p. 261) he handled the "American

Lady'' shoe of the defendant, which he purchased (Q. 5, Rec., p, 261) from Ries & Guttell of Chicago, who (Q. 6, Rec., p. 261) buy up shoes at bankrupt sales and then sell them to dealers. That (Q. 7, Rec., p. 261) he never handled American Lady shoes which he purchased from Hamilton, Brown Shoe Company, and (Q. 8, Rec., p. 261) that all of the American Lady shoes handled by him were bought from dealers of bankruptcy sale shoes. He testified (Q. 16, Rec., p. 263) that on account of purchasing these shoes at bankruptcy sale it happened that they were not in the original cartons and that "**this box was picked up as an odd box**". That (Q. 11, Rec., pp. 262-3) when these detectives came into his store they "said: 'I see you have the Hamilton, Brown shoe' ". That they then asked if he handled the American Lady shoe and that he told them he did. That his wife waited upon them and when she told them "that the shoe sold for $2.25 they expressed surprise and said that the shoe sold for $3.00 and $3.50 in St. Louis. My wife told them that the shoes were not bought from Hamilton, Brown Shoe Company, but at a sale of bankrupt shoes in Chicago, and that that was the reason we were able to sell the shoes for $2.25. She told them if it was bought from Hamilton, Brown Shoe Company it could not be sold at that price, and Hamilton, Brown would not sell to a dealer that would cut the price".

That testimony of Robert D. Kelly is corroborated in detail by the testimony of Rose Kelly, his wife, found in the record between pages 264 and 267.

It is therefore conclusively established, we believe, by the testimony of the complainant's own witnesses, that the cartons in which the defendant's American Lady shoes are packed, shipped and delivered to its custom-

ers are used as a package in which the shoes are delivered by the retail dealer to the purchaser at retail. In each of the nine cases thus shown in the record in this case the American Lady shoes were delivered to the purchaser in a carton, **and in every case but one** the carton was the regular American Lady shoe carton, and the only reason why the regular American Lady shoe carton was not used in that single case was that the shoes had gone through several different hands, including a trustee in bankruptcy and a dealer in job lots of shoes, and that the carton in which that particular pair of American Lady shoes was packed, shipped and delivered by the defendant to its customer failed to survive. However, if it had survived, the evidence goes to show that it would have been used as a package in which to deliver the shoe to the purchaser at retail; for, when it was broken up and destroyed in passing through the various hands the shoes passed through, its successor was used for that purpose and the shoes were delivered to the customer in a carton which took the place of the regular American Lady shoe carton.

It must therefore be apparent that the carton is "**accompanying matter**", for in each case testified to by complainant's witnesses, as pointed out above, the carton did "**accompany**" the shoes into the hands of the purchaser at retail.

Of course, the detectives who were sent out to purchase these shoes were not deceived, as they admitted on cross-examination. Also, not only were the nine pairs of American Lady shoes introduced in evidence by the complainant in the main case sold in the cartons as pointed out above, **but each shoe of those nine pairs of shoes bore on the sole thereof the name Hamilton,**

Brown Shoe Company in association with the name American Lady. Furthermore, the second, third, fourth, fifth and eighth pairs of those shoes, being "Complainant's Exhibits Nos. 101, 102, 104, 106 and 110", respectively, each bore on the inside of the shoe for the right foot a silk top facing like that shown at page 832 of the record and bearing the name "American Lady" in association with the name and word "Hamilton, Brown Shoe Co., **Makers**", and the belt trade-mark of the defendant. Of the other four pairs, the first, being "Complainant's Exhibit No. 19", was a low-cut shoe and therefore did not have any top facing; the sixth, being "Complainant's Exhibit No. 108", bore a plain top facing, but in selling her that shoe, as the detective herself admitted (Q. 15, Rec., p. 84), the salesman told her it was "made by Hamilton, Brown Shoe Company, St. Louis, Mo."; the seventh, being "Complainant's Exhibit No. 209", bore on the silk top facing of the shoe for the right foot, in large type, the name "Hamilton, Brown Shoe Company", and in that case, also, as the detective admitted (Q. 7, Rec., p. 89), the saleslady told the detectives that the shoes were made by the "Hamilton, Brown Company, St. Louis"; the ninth, being "Complainant's Exhibit No. 112", also had a plain top facing, although in that case, as the detectives admitted (Q. 2, Rec., p. 92), the salesman who sold them the shoes told them the shoes were "made by Hamilton, Brown Shoe Company of St. Louis". **And, also, as above stated, and as these nine pairs of shoes will show, each shoe of those nine pairs bore on its sole the name Hamilton, Brown Shoe Company associated with the name American Lady.**

Thus the evidence shows positively that the cartons do reach the purchasers of the shoes at retail.

Not only does the proof in the record show that, with the exception of the single pair of shoes purchased at a sale of bankruptcy shoes, defendant's cartons were used by the retailer in selling the shoes and accompanied the shoes into the hands of the purchaser at retail (the "ultimate purchaser"), but those shoes of this bankrupt stock bore prominently thereon the name of the defendant company, and there is no pretense that the "ultimate purchaser" of those shoes was deceived, as shown above.

As to the proofs on the accounting, the stipulations show (Rec., pp. 828 and 895-6) that all the American Lady shoes sold since the filing of the bill were sold in cartons bearing the labels illustrated at pages 432 and 832 of the record. On the accounting, on the testimony taken before the Master, the only retailer of American Lady shoes shown not to use the American Lady cartons in selling defendant's American Lady shoes at retail to the ultimate consumer, is the Shoe Mart, which had adopted the **special practice** of using its own cartons. But the only American Lady shoes purchased at the Shoe Mart bore upon them, on the sole of each shoe, the belt trade-mark of the Hamilton, Brown Shoe Company with the name American Lady in the center of the belt and the name Hamilton, Brown Shoe Company on the belt (Rec., pp. 653-5), being the identical mark illustrated on "Exhibit A" at page 432 of the record. And Bertha Blome, who is the stenographer for complainant's counsel, Mr. Werner, and who purchased those shoes, knew when she purchased them that they were manufactured by Hamilton, Brown Shoe Company. On the instruction of Mr. Wolf of complainant company she went to Shoe Mart to get a pair of Hamilton, Brown Shoe Company's American Lady

shoes and she got precisely what she asked for (Rec., pp. 653-6).

Yet, in the face of all of this evidence in the record, despite the stipulations which show that as the defendant's American Lady shoes left the defendant each pair was placed in a carton such as above described and bearing the lid and end labels illustrated at record page 432 and record page 832, and despite the fact that these cartons are the most convenient things in which to hold and carry the shoes when sold to the ultimate consumer, and in spite of the fact that the evidence shows, with the two exceptions stated above (in which cases the shoes sold have defendant's full name on the sole of each shoe), that the retailers of defendant's said American Lady shoes sold them in defendant's said cartons, it is contended that the cartons did not reach the purchasers of American Lady shoes at retail. Therefore, in view of the evidence and stipulations in the record, there is no foundation in fact for the contention that defendant's cartons bearing the lid and end labels, illustrated at record page 432 and record page 832, are not "**accompanying matter**" for each pair of defendant's American Lady shoes, not only when the shoes are sold by the defendant to its customers, but also when the shoes are sold at retail to the "ultimate purchaser".

In the recent case of Sampson Cordage Co. v. Puritan Cordage Mills, 197 Fed. 205-212, the complainant, as well as the defendant, sold its cordage with a label attached thereto. The label on the defendant's cordage bore the defendant's name and clearly showed that the cordage in question emanated from the defendant and not from the com-

plainant. In that case the Court points out at p. 212 of 197 Fed. that it was suggested by the complainant that the labels on the defendant's cordage could be easily removed and that then the defendant's cordage might be sold as and for the cordage of complainant. In answer to that contention the Court says (197 Fed. 212):

> "There is, however, nothing to show that it is the intention of the defendant that they shall be removed until that is done by the ultimate purchaser, nor are we at liberty to found a decree upon the imagination that it is the defendant's desire or purpose that it shall be done."

We submit that that reasoning is strictly applicable to the complainant's contention here in respect to the cartons of the defendant bearing the end labels illustrated at record page 432 and record page 832, and which cartons it is stipulated (Rec., p. 433, and Rec., p. 828) are used by the defendant in packing and selling every pair of its American Lady Shoes, and that said cartons have been so used by defendant in selling each pair of its American Lady shoes since the filing of the bill. Indeed, it is to the interest of defendant that its cartons shall be so used, since each of these cartons advertises the defendant; and it is to the interest of the retailer and the ultimate purchaser to use these cartons, since they provide a convenient package in which to hold each pair of defendant's American Lady shoes and in which to deliver them to the "ultimate purchaser," and tend to preserve and protect the shoes. To paraphrase the language of the Court in the Cordage case at p. 212 of 197 Fed., we submit that neither the Master nor the Court is warranted on this record to grant the

complainant any recovery on this accounting in respect to defendant's shoes sold in the said cartons bearing the labels illustrated at record page 432, and record page 832 **"upon the imagination that it is the defendant's desire or purpose"** that the retailer who sells the defendant's shoes shall throw away these cartons and not deliver defendant's shoes to the "ultimate purchaser" in the single pair cartons which were expressly made and sold by the defendant with the shoes as a convenient holder or container for the shoes.

Office Supreme Court, U. S.
FILED
MAY 10 1915
JAMES D. MAHER
CLERK

SUPREME COURT OF THE UNITED STATES.

October Term, 1914.

No. 37

Hamilton, Brown Shoe Company, Petitioner,

vs.

The Wolf Brothers and Company, Respondent.

BRIEF FOR RESPONDENT.

Lawrence Maxwell,
Simeon M. Johnson,
Percy Werner,
Counsel for Respondent.

The Barclay Printing Company, 1013-1020 Elm Street, Cincinnati, O.

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SUPREME COURT OF THE UNITED STATES,

October Term, 1914.

No. 311.

Hamilton, Brown Shoe Company, Petitioner,

vs.

The Wolf Brothers and Company, Respondent.

BRIEF FOR RESPONDENT.

[The figures in parentheses refer to pages of the record, unless otherwise indicated.]

Statement of the Case.

The opinion of the Court of Appeals, on the first appeal (406), is reported in 165 Fed. 413. Its opinion on the second appeal (1114) is reported in 206 Fed. 611.

We shall refer to the parties as plaintiff and defendant. The plaintiff, The Wolf Brothers and Company, was appellant in the court of appeals in both appeals, and is respondent in this court. The defendant, Hamilton, Brown Shoe Company, was appellee in the court of appeals in both appeals, and is petitioner in this court.

The bill (203) was filed in the circuit court on January 29, 1906, and was dismissed on final hearing February 3, 1908. That decree was reversed by the court of appeals, whose opinion, filed November 17, 1908, concluded with the following direction (412):

> "Complainant is entitled to a decree enjoining the defendant from using the name, 'The American Lady,' as applied to its shoes for women, when not accompanied with other matter clearly indicating that such shoes are of its own manufacture and therefore not of complainant's, and from using, in connection with such name, as applied to its shoes for women, the numerals mentioned, or the catch phrase, 'With the Character of the Woman.' or any other phrase in simulation of the phrase '*A* Shoe as Good as its Name;' and also to an accounting as before stated.
>
> The decree of the Circuit Court is reversed with directions to enter a decree in accordance herewith."

On November 15, 1909, the following interlocutory decree was entered in the circuit court pursuant to the mandate of the court of appeals (424):

> "The mandate of the United States Circuit Court of Appeals for the Eighth Circuit on the appeal of the plaintiff from the decree entered herein on February 3, 1908, and the opinion of said Court of Appeals having been filed in this court, it is now, in pursuance of said mandate and opinion, ordered, adjudged and decreed as follows:

1. Said decree entered herein on February 3, 1908, is set aside.

2. The defendant, Hamilton-Brown Shoe Company, its servants, agents, officers and employees, are perpetually enjoined from using the name 'The American Lady,' as applied to its shoes for women, when not accompanied with other matter clearly indicating that such shoes are of its own manufacture, and therefore not of the manufacture of the plaintiff, The Wolf Brothers & Company, and from using in connection with such name, as applied to its shoes for women, the numerals 403, 404, 407, 408 or 397, or the catch-phrase 'With the character of the woman' or any other phrase in simulation of the phrase 'A shoe as good as its name.'

3. The costs up to and including the entry of this decree are adjudged against the defendant, and execution therefor is awarded.

4. The case is referred to H. H. Denison, Esq., as Master, upon the evidence already taken in this case and the exhibits in evidence in this case, and such further evidence as may be offered before the Master by the parties to this action, to ascertain and report the damages, since the commencement of this suit, which the plaintiff has suffered, and the profits, since the commencement of this suit, for which the defendant may be liable, said accounting of damages and profits to be limited to shoes sold by the defendant since the filing of the bill in this case and which were marked with the name, 'The American Lady,' and not accompanied with any other matter clearly indicating that

such shoes were of the manufacture of the Hamilton-Brown Shoe Company."

On October 4, 1911 (446), the master filed his report and the evidence recommending that judgment be entered in favor of the plaintiff for $445,311.55 (559). Both parties filed exceptions, the plaintiff claiming that it was entitled to $132,740.77 in addition to the amount awarded. The court overruled the plaintiff's exceptions, sustained those of the defendants, and, on January 23 1912, entered judgment in favor of plaintiff for nominal damages in the sum of one dollar and assessed against it the costs, including an allowance of $5,100 to the master (1100). The court of appeals reversed this judgment on May 20, 1913, and remanded the case to the district court with directions "to overrule the exceptions of defendant to the master's report, that the report of the master be confirmed, that a decree be entered against defendant for the amount recommended by him, and that the costs be taxed against defendant" (1127).

A petition for rehearing (1129) was overruled September 22, 1913 (1139), and on December 26, 1913, the defendant secured a writ of certorari from this court.

I.

The facts as found by the court of appeals.

Defendant's petition for rehearing in the court of appeals was asked "solely upon the amount of recovery and the rule adopted on the prevailing opinion in ascertaining the amount of the recovery" (1129).

In the opinion filed on the first appeal, the court said (407), 165 Fed. 413:

"The record in this case discloses that complainant is a corporation, manufacturing woman's shoes, at Cincinnati, Ohio; that in 1896, George F. Dana & Co. were manufacturers of shoes in said city, and adopted as a trade-mark for women's shoes manufactured by them the words 'The American Girl.' In May, 1898, a co-partnership under the name of Wolf Bros. & Co. acquired said business and trade-mark, and in 1899 said Wolf Bros & Co. adopted and used in advertising and selling its American Girl shoes the catch-phrase, 'A shoe as good as its name,' and used, in advertising, upon the top facing of the shoes, the picture of the head of a lady. In 1901 said Wolf Bros & Co., for the purpose of designating certain styles of its American Girl shoes, adopted and advertised in its catalogues the numerals 403, 404, 407 and 408, and in its catalogue in 1904, for the same purpose, adopted an additional numeral, 397; and in their fall catalogue for 1904 Wolf Bros & Co. adopted and had printed on its face cover a picture of Uncle Sam and a lady dancing a minuet. In June, 1905, the partnership of Wolf Bros. & Co. incorporated under the name of 'The Wolf Bros. & Company,' under the laws of the state of Ohio, and complainant then acquired all the assets of the partnership, including the good-will and trade-marks.

The defendant is a corporation organized under the laws of the state of Missouri, and a large manufacturer of shoes at St. Louis, in said state. In August, 1900, defendant adopted as a trade mark for women's shoes, the words 'The American Lady,' with the picture of a lady. In October, 1903, it advertised with its Ameri-

can Lady shoes the catch-phrase, 'The shoe deserves its name.' The defendant claims that this catch-phrase was used by it in advertising upon one occasion only, and we dismiss it from further consideration. Thereafter, it changed the phrase to the words, 'With the character of the woman.' In its fall catalogue of 1904 the defendant designated certain styles of its American Lady Shoes by the same numerals used by complainant, to-wit, 403, 404, 407, and 408, and in its fall catalogue of 1905 it also adopted the numeral 397. In its catalogue of 1904 defendant placed upon the face cover the picture of George and Martha Washington dancing a minuet.

This action was brought by complainant, in which it charges the defendant with infringing its trade-mark, 'The American Girl' by the use of the name 'The American Lady' and the portrait of a young woman. It further charges the defendant with infringing the catch-phrase, 'A shoe as good as its name' by using the catch-phrases 'The shoe deserves its name' and 'With the character of the woman.' It also charges the defendant with infringement by adopting its numeral numbers before mentioned for similar styles of shoes. It also charges defendant with unfair trade."

. . . . . .

"The record discloses that complainant and its predecessors extensively advertised its shoes under the name 'The American Girl,' with the catch-phrase before referred to, in various trade journals and in newspapers throughout the United States, but largely throughout the Southern States, and established an extensive trade therefor. Defendant is a much larger manufacturer of shoes than complainant, and has advertised much more extensively, expending something

over $100,000 in advertising 'American Lady' shoes after the bringing of this suit."

With respect to defendant's aggressions the court said:

"The testimony of the vice-president and superintendent of defendant, with reference to adopting the name 'The American Lady,' is that in the latter part of August, or the first of September, 1900, they assembled their traveling salesmen, for the purpose of making a selection of samples for the following season, and it was suggested at such meeting that some name be adopted for that line of women's shoes, and the name 'The American Lady' was selected. He testifies that at that time he had never known or heard of shoes being made by Wolf Bros. & Co. of Cincinnati, or made and sold by any one, under the name of 'The American Girl.' It is further claimed on the part of the defendant that when it used the catch-phrases 'The shoe deserves its name' and 'With the character of the woman,' it did not know, and had not heard, of complainant's catch-phrase, 'A shoe as good as its name;' that at the time they adopted the various numerals which had been theretofore adopted by complainant it did not know that complainant used such numerals to designate similar styles of its shoe 'The American Girl.'"

. . . . . .

"That defendant's action in the several respects above enumerated was not taken without the knowledge of complainant's rights, we think is shown by the following circumstances:

In January, 1901, Wolf Bros. & Co., on seeing one of defendant's advertisements of its shoes under the designation 'The American Lady,' immediately wrote defendant, calling its attention to the fact that they regarded it as an infringement upon their trade-name 'The American Girl.' To this letter defendant answered, in substance, that it did not regard its use of the words 'The American Lady,' with the picture of a lady, as an infringement. To this Wolf Bros & Co. replied, suggesting that, if defendant would further consider the matter, they thought it would come to the conclusion that it did constitute an infringement, and expressing a desire that the matter be adjusted between themselves without legal proceedings. To this letter defendant made no reply. Defendant's treasurer upon cross-examination, in answer to the inquiry as to whether the first of the above letters was answered by him merely as a matter of courtesy between one house and another, or because there was merit in the contention set up by complainant in the letters, said:

'My answer was prompted solely by a feeling of courtesy and politeness, as I never seriously regarded their claim. In fact, coming from a house relatively obscure, it seemed to me more a joke than a matter of any serious importance.'

In a question relative to the second of said letters written by complainant to defendant he was asked if the same was answered; if not, why not? To which he answered:

'If I did not answer the letter, it was because I did not think if of sufficient importance to waste the time necessary to do so. I do not remember that I did not reply to it, but my impression is that I did not.' "

The court held that the term "The American Girl" was a geographical name and therefore not a valid trade-mark, but said:

> "While it is true that a geographical name may not be exclusively appropriated as a trademark, yet a party, having adopted a geographical name as a designation of its goods, may be protected as against unfair trade. Pillsbury Washburn Flour Mills Co. vs. Eagle, 86 Fed. 608, 30 C. C. A. 386, 41 L. R. A. 162; The French Republic vs. Saratoga Springs Co., 191 U. S. 427, 24 Sup. Ct. 145, 48 L. Ed. 247. This is clearly illustrated in the case of Pillsbury Washburn Flour Mills Co. vs. Eagle, supra, wherein it was held that complainants, who were manufacturers of flour at Minneapolis, Minn., and had designated their flour as 'Minnesota,' 'Minneapolis,' etc., were entitled to enjoin a party who sold flour manufactured at Milwaukee, Wis., from designating such flour as 'Minnesota,' 'Minneapolis,' etc. This was done because defendant, in using the names 'Minnesota,' 'Minneapolis,' etc., was expressing a falsehood, and endeavoring to palm off upon the public flour manufactured in Wisconsin as and for flour manufactured at Minneapolis. In this case, while complainant is not entitled to relief upon the ground that the words 'The American Girl,' or the numerals applied to its several styles of shoes, are valid trade-marks, yet it is entitled to protection from their use by the defendant in a manner and under circumstances constituting unfair trade; the essence of the rule being that

> one person shall not, in the sale of his goods, so act as to lead the public to believe that they are the goods of another.
>
> . . . . . .
>
> It is plainly obvious, we think, that the words 'The American Girl' and 'The American Lady,' are so similar as to cause confusion, and the evidence fully discloses such to have been the result."

With respect to the fraudulent conduct of defendant in adopting the name "The American Lady" the court said (410):

> "We cannot believe that, at the time of the adoption by defendant of the name 'The American Lady' for its shoes, it did not know that complainant used the words 'The American Girl' for its shoes, as it appears that the salesmen who were assembled by defendant and adopted the name 'The American Lady,' had been traveling through the territory in which complainant's American Girl shoe had been sold and extensively advertised as such. The adoption by defendant of the catch-phrase simulating that of complainant, adopting the same numerals that complainant had adopted, and when complainant went back and adopted the additional numeral 397, then likewise immediately adopting the same, we cannot think took place without knowledge that it was following complainant in this regard. Had it only imitated complainant in one respect, it might well be said that it was innocently done and without knowledge of the previous adoption by the com-

plainant; but the several acts of complainant being followed so closely in imitation by defendant is persuasive, if not conclusive evidence, that it was done with knowledge that it was imitating complainant. Actions of a similar character were held to overcome protestations of innocence and good faith in Fairbanks Co. vs. Bell Co., 77 Fed. 869, 23 C. C. A. 554, National Biscuit Co. vs. Baker (C. C.), 95 Fed. 135, and Hansen vs. Siegel-Cooper Co. (C. C.), 106 Fed. 690.

In concluding its opinion the court said (411):

"Legitimate competition in trade is not only the right of every person, but to be commended, when of public benefit. It is only when competition is deceptive that it is condemned by the law. While the term, 'The American Girl,' as applied by complainant and its predecessors, was not subject to exclusive appropriation by them, it had, nevertheless, by their long-continued use of it, come to have a secondary meaning indicative of the origin and manufacture of the shoes to which it was applied, and had come to be recognized in the trade as meaning that such shoes were those of the complainant and its predecessors. Whatever of good-will and advantage resulted from this was the property of the complainant, and, while others were entitled to use the same or any similar term, because of its being common property, they could do so only on condition that they accompanied it with such distinguishing marks or matter as would plainly indicate that it was not being used with its secondary signification; that is, as

> **pointing to the complainant as the manufacturer of the goods to which it was applied.** Howe Scale Co. vs. Wycoff, 198 U. S. 118, 25 Sup. Ct. 609, 49 L. Ed. 972; Donnell vs. Herring-Hall-Marvin Safe Co., 208 U. S. 267, 28 Sup. Ct. 288, 52 L. Ed. 481.
>
> Complainant is not guilty of such laches as to deprive it of an injunction, but we think an accounting should be limited to the time since the commencement of this suit."

On the second appeal the court, after stating its conclusions on the first appeal with respect to defendant's "design to defraud," and its "adoption of means reasonably calculated to make the design effective," said:

> "The adjudication was made upon the merits, and should be reopened, if at all, only upon convincing evidence that the original conclusion, which led to the injunction and to this accounting, was wrong (citing cases). Nothing was adduced at the second hearing to alter the situation originally presented, and we adhere now to the conclusion reached then." (1117), 206 Fed. 615.

Those conclusions are stated as follows in the opinion (1117), 206 Fed. 615:

> "It [the court on the first appeal] found that appellant was first in the field with the words 'The American Girl' adopted as a trade-name to designate its shoes; that in connection with this name it used the catch-phrase: 'A shoe as good as its name,' and in its catalogue certain numerals to designate different styles of such

shoes; that thereafter the appellee adopted the trade-name 'American Lady' and the catch-phrases: 'The shoe deserves its name,' and 'With the character of the woman;' also the identical numerals used by appellant; that later appellant adopted an additional numeral, 397, and directly thereafter appellee went back and adopted the same numeral. The court further found that the words: 'The American Girl,' and 'American Lady,' are so similar as to cause confusion, and that such confusion had resulted; that all this was done by appellee with knowledge that it was following appellant, and that such acts were not consistent with innocence and good faith; further, that appellee acted with notice and knowledge of the infringement through correspondence; hence an injunction and accounting was granted as heretofore stated. This court at that time had before it evidence showing that the name 'American Lady' was adopted by the appellee at an assembly of its traveling salesmen and resulted from suggestions made by them. These salesmen came from the same territory in which appellant's shoes were most largely sold. The original suggestion came from a salesman who traveled in Texas; another Texas salesman and one from Arkansas were also present. It was disclosed in the testimony that the largest sale of The American Girl shoes was among the negroes and illiterate whites in the south; also that in this very territory actual confusion, which worked greatly to the disadvantage of appellant, existed among purchasers."

The court summarized its conclusions as follows (1120), 206 Fed. 618:

> "We have here a case in which the appellee, with a design to appropriate appellant's trade, has devised a trade-mark strikingly similar to that used by appellant. It did this deliberately and adopted many expedients, all of which were calculated to help along the deception and enable it to accomplish its purpose. It fortifies itself by certain formulas in dealing with its direct purchasers through which it expects to escape responsibility for the ultimate results of its acts. It invades the territory in which appellant is doing business and which covers all the states of the union except two, and particularly the southern states in which appellant's trade is largest. It makes use of its own prestige, its great resources and advertising facilities with which to break down the trade of a smaller business competitor, and to confuse the public with which that competitor has already established a business reputation. Having accomplished its aim, which was to avail itself of the pioneer work of appellant, it is willing to submit to an injunction and to nominal damages, but insists, as a condition to substantial recovery, that appellant accomplish the well nigh impossible task of establishing specifically the number of ultimate consumers who have been thus deceived in the purchase of shoes. Neither considerations of equity nor the decided cases sustain this contention."

The foregoing statement of defendant's conduct suggests the admonition of President Wilson in his address at Philadelphia on October 29, 1912:

"Safeguard American men against unfair competition, and they will take care of themselves."

Up to December 29, 1906, the sales of American Girl shoes by plaintiff and its predecessor were approximately $2,500,000 (61). They had spent $60,000 in advertising the shoe (62, 63).

The fraudulent conduct of defendant in copying and simulating plaintiff's names and marks is illustrated by the following tabular statement in parallel columns:

In 1896 Geo. F. Dana & Co. adopted as a trade-mark for women's shoes the words— "The American Girl."	In August 1900 defendant adopted as a trade-mark for women's shoes the words— "The American Lady."
In 1899 plaintiff, having acquired Geo. F. Dana's business and trade-mark, adopted and used in advertising and selling its American Girl shoes the catch-phrase— "A shoe as good as its name."	In October, 1903, defendant advertised with its American Lady shoe the catch-phrase— "The shoe deserves its name." Afterwards it changed the phrase to— "With the Character of the Woman."
In 1899 plaintiff used in advertising upon the top facing of its shoes— "The picture of the head of a lady."	In August, 1900, defendant adopted— "The picture of a lady"

In its fall catalogue for 1904 plaintiff adopted and printed on its face cover a picture of— "Uncle Sam and a lady dancing a minuet."	In its catalogue for 1904 defendant placed upon its face cover the picture of— "George and Martha Washington dancing a minuet."
In 1901 plaintiff, for the purpose of designating certain styles of its American Girl shoes, adopted and advertised in its catalogues the numerals— "403, 404, 407 and 408."	In its fall catalogue of 1904 defendant designated certain styles of its American Lady shoes by the same numerals, to-wit: "403, 404, 407 and 408."
In its catalogue for 1904 plaintiff, for the same purpose, adopted an additional numeral, to-wit: "397."	In its fall catalogue for 1905 defendant adopted the same numeral, to-wit: "397."

Referring to these repeated acts of the defendant, in copying the trade-names, numbers, catch-phrases, advertisements and pictures adopted and used by plaintiff, and continuing the same unfair competition for many years, and to the denials, under oath, of dedendant's officers, that they had ever known or heard of shoes made by plaintiff under the name of "The American Girl," the court of appeals said (165 Fed. 416):

> "But we cannot believe that, at the time of the adoption by defendant of the name 'The American Lady' for its shoes, it did not know

that complainant used the words 'The American Girl' for its shoes, as it appears that the salesmen who were assembled by defendant and adopted the name 'The American Lady' had been traveling through the territory in which complainant's American Girl shoe had been sold and extensively advertised as such. The adoption by defendant of the catch-phrases simulating that of complainant, adopting the same numerals that complainant had adopted, and, when complainant went back and adopted the additional numeral 397, then likewise immediately adopting the same, we cannot think took place without knowledge that it was following complainant in this regard. Had it only imitated complainant in one respect, it might well be said that it was innocently done and without knowledge of the previous adoption by the complainant; but the several acts of complainant being followed so closely in imitation by defendant is persuasive, if not conclusive, evidence that it was done with knowledge that it was imitating complainant. Actions of a similar character were held to overcome protestations of innocence and good faith in Fairbanks Co. vs. Bell Co., 77 Fed. 869, 23 C. C. A. 554; National Biscuit Co. vs. Baker (C. C.) 95 Fed. 135; and Hansen vs. Siegel-Cooper Co. (C. C.) 106 Fed. 690."

The Proceedings in the Patent Office.

On May 5, 1905, defendant filed an application in the Patent Office to register "American Lady" as a trade-mark for shoes, under the Trade-Mark Act of February 20, 1905. Plaintiff opposed the application on the ground that it was an interference with its trade-mark "American Girl" (145). The adjudication of the Commissioner of Interferences in favor of the plaintiff was appealed by defendant to the Commissioner of Patents. His decision in favor of plaintiff on July 27, 1906, is published in the Official Gazette of the Patent Office (125 O. G. 667). After reviewing the evidence as to the adoption of "American Girl" as a trade-mark by plaintiffs' predecessor in 1896, and its continuous use from that time, the Commissioner, on the subject of similarity and confusion, said:

> "The only remaining question is that of the similarity of the marks. The Hamilton, Brown Shoe Company contends on various grounds that The Wolf Brothers and Company have not been injured and that there is no probability that they will be injured should its application for registration be granted. It is not necessary to consider the question of injury here further than to determine whether the mark 'American Lady' is so similar to the mark 'American Girl' as to be likely to cause confusion or mistake in the mind of the public or to deceive purchasers. If the marks are found to be so similar as to be likely to lead to such confusion and mistake, probably injury to The Wolf Brothers and Company will be presumed.

"The Wolf Brothers and Company have taken the testimony of several witnesses for the purpose of showing confusion in the trade and among purchasers of their 'American Girl' shoe with the 'American Lady' shoe of the Hamilton, Brown Shoe Company. This testimony is strongly attacked by the Hamilton, Brown Shoe Company on the ground that it is hearsay and that it does not set forth specific instances in such manner as to afford opportunity to it for investigation and rebuttal. The criticism of the decision of the Examiner of Interferences by the Hamilton, Brown Shoe Company in regard to the subject of hearsay testimony is unwarranted. Some of the testimony of The Wolf Brothers & Company's witnesses upon the subject of confusion of the marks was hearsay; but that quoted in the decision of the Examiner of Interferences is not subject to this objection. It is, as stated in the Examiner's decision, proper evidence under the well known exception of the hearsay rule admitting statements which form a portion of the res gestae. The testimony upon the question of confusion of the marks has been carefully reviewed and is found to be of considerable probative force. I am of the opinion that the mark 'American Lady' is sufficiently similar to the mark 'American Girl' to make registration thereof by the applicant improper in view of the Wolf Brothers and Company's ownership of the latter mark.

"In reaching this conclusion I am guided as much by the obvious proximity of the marks in meaning as by the testimony which has been ad-

duced to show actual confusion. The word 'Girl' in the term 'American Girl' as the same is ordinarily used is not restricted in meaning to a child; nor is the word 'Lady' as used in the advertisement of shoes believed to convey ordinarily any other meaning than that of the word 'woman.' 'American Girl' and 'American Lady' are believed, therefore, to have substantially the same significance when used as trademarks for shoes. These expressions are, to my mind, closer than the following sets of expressions, in each of which the courts have found an infringement: 'Willoughby Lake' by 'Willoughby Ridge,' (A. F. Pike Manufacturing Company vs. Cleveland Stone Company, 35 Fed. Rep. 896); 'Canadian Club Whiskey' by Canadian Rye Whiskey,' (Hiram Walker & Son vs. Mikolas, 9 Fed. Rep. 955); 'Gold Dust' by 'Gold Drop' (N. K. Fairbank Company vs. Luckel, King, etc., Soap Company, 102 Fed. Rep. 327)."

On August 21, 1906 (141), the Commissioner of Patents registered plaintiff's trade-mark "American Girl."

Notwithstanding these proceedings and the concurring decisions of the Commissioner of Interferences and the Commissioner of Patents, defendant continued to mark its shoes "American Lady," and in the two years following the decision (1907 and 1908), deliberately and purposely left its name off practically all American Lady shoes (974,016 pairs).

II.

The Markings on Defendant's Shoes During the Accounting Period.

The basis of the master's account is thus stated in the opinion of the court of appeals (1115, 1116), 206 Fed. 613, 614:

> "Extended proofs were taken before the master. In his report he finds that during the period to which the accounting was limited appellee sold American Lady shoes, which, because of differences in marking, are divided into three classes:
>
> Class 1. 974,016 pairs of shoes which bore no impression or distinguishing mark except the words "American Lady" stamped upon the sole with a metal die. The profits upon these were found to be $254,401.72.
>
> Class 2. 961,607 pairs of shoes marked as follows: The words "Hamilton-Brown Shoe Company" in belt form, with the words "American Lady" in the center, stamped upon the sole of each shoe; and in the top-facing no mark, except, perhaps, in some cases, the name of a retail dealer in the facing of one shoe. The profits upon these to appellee were found to be $190,909.83.
>
> Class 3. 593,872 pairs of shoes marked as follows: Upon the sole the same stamping as in Class 2, and in the top-facing of one shoe the name "American Lady" and the words "Hamilton-Brown Shoe Company" in belt form surrounding the word "makers". The profits up-

on these to appellee were found to be $132,740.77.

The master recommended that a judgment be entered in favor of appellant in the sum of the profits accruing from the first two classes, aggregating $445,311.55. For the profits accruing from the third class he held that appellant was not entitled to recover under the opinion of this court, and the decree entered in accordance therewith."

The table (549) prepared by Mr. Hart, counsel for defendant, and adopted by the master (item 19 thereon being Class 1; item 18, Class 2; and item 16, Class 3) shows year by year the number of pairs of American Lady shoes of each of the three classes that were manufactured and sold by defendant in each year during the accounting period, commencing with the filing of the bill on January 29, 1906, to-wit:

	Jan. 29, 1906 to Dec 10, 1906	Dec 10, 1906 to Dec 12, 1907	Dec 12, 1907 to Dec 11, 1908	Dec 11, 1908 to Dec 10, 1909	Dec 10, 1909 to Mar. 9, 1910	Total Jan. 29, 1906 to Mar. 9, 1910
CLASS 1	None	454,829	519,187	None	None	974,016
CLASS 2	247,849	None	None	537,017	176,741	961,607
CLASS 3	244,000	60,000	60,000	215,574	14,298	593,872

Defendant's answer, filed April 12, 1906, alleged that on all American Lady shoes since 1900 was marked "both on the soles of said shoes and on the inside lining of the same the respondent's name in bold letters, to-wit; 'Hamilton, Brown Shoe Company'" (233), and that this was done "so that the user or consumer who might buy respondent's boots or shoes from

the retailer, as well as the retailer himself, would know and does know, that the boot or shoe is the product of the respondent company" (232).

The court will notice from the foregoing table that during the year 1906 defendant did put its name on all American Lady shoes, on about fifty per cent. of them with the word "makers" added (Class 3), and on the other fifty per cent. without adding anything to indicate that it was the maker (Class 2). During the next two years, 1907 and 1908, defendant left its name, in any form, off of 974,016 pairs (Class 1), and put it on only 60,000 pairs in each of said years. The evidence shows that this change in marking was made at the suggestion of defendant's salesmen, and therefore presumptively for the purpose of facilitating sales.

John T. Johnson (774, Ans. to Q. 462 a), superintendent of the American Lady factory, testifies as follows as to the reason why defendant left its own name off nearly 1,000,000 pairs of its "American Lady" shoes:

> "I think some of the salesmen suggested our doing it and we did it, stamping them 'American Lady' without 'Hamilton, Brown Shoe Company' on it."

The ground on which defendant was held accountable for Class 2 is thus stated by the court (1119):

> "This defense also involves the claim that the name 'Hamilton, Brown Shoe Company' stamped upon the shoe, either upon the sole with the name 'American Lady,' or in the top-fac-

> ing, with the same distinctive name, constituted a sufficient disclosure of the identity of the manufacturer. This by no means follows. The practice of retailers, as well as jobbers, of placing their names upon articles which they have for sale, but do not manufacture, is well known; and in the present case the testimony discloses that the appellee is a jobber as well as a manufacturer of shoes, and that its name is stamped upon all the shoes it puts forth, whether of its own manufacture or that of another. It is the characteristic trade-name which strikes the attention of the would-be purchaser, and, as was shown in evidence, the name "The American Girl" was constantly confused in the minds of such purchasers with that of "American Lady."

The court of appeals enjoined defendant "from using the name 'The American Lady,' as applied to its shoes for women, when not accompanied with other matter **clearly indicating** that the shoes are of its own manufacture and therefore not of complainants." This was in accordance with the decision of this court in the cases of the Singer Manufacturing Company in which the defendant was enjoined "from marking upon sewing machines or upon any plate or device connected therewith or attached thereto the word 'Singer,' or words or letters equivalent thereto, without **clearly and unmistakably** specifying in connection therewith that such machines are the product of the defendant or other manufacturer, and therefore not the product of the Singer Manufacturing Company" (163 U. S. 169, 204, 207).

Defendant's attempt to conceal the existence of Class 1 by false testimony.

At the hearing before the master its superintendent on January 31, 1910, testified as follows (591, Q. 62):

> "The record of it is, that we have never sent out any shoes without the name 'Hamilton, Brown Shoe Company' on them, regardless of what the other name was."

The master, referring to this testimony and to a formal written statement filed with him by defendant on the same day to the same effect, says (468):

> "This statement was in effect repeated several times by the same witness on pages 173, 174, 175, 197 of the record, and the witness added:
>
> 'I am the general manager and superintendent of the factory, and my orders are that the goods be stamped that go out of the factories.' (See also p. 283).
>
> The testimony, in the course of the hearing of the case, completely established the fact that **the foregoing statements were untrue**, it being proved that 974,016 pairs of American Lady shoes had been sold by the defendant during the period covered by this inquiry, upon which shoes nowhere appeared the name of the Hamilton, Brown Shoe Company, or any other mark indicating by whom the shoes were made."

Defendant's advertising manager testified on May 13, 1907 (308), that it had "been the practice of the Hamilton, Brown Shoe Co., since the American Lady shoes were first put on the market in the fall of 1900,

to mark every pair of shoes of that brand with the name American Lady and also with the name Hamilton, Brown Shoe Co." (316, Q. 13). At that very time, and for five months prior thereto, and for a year and seven months thereafter, the defendant was engaged almost exclusively in branding all such shoes with the name American Lady alone. This is shown by the stipulation of June 4, 1910 (831), in which it was stipulated that—

> "all American Lady shoes sold by the Hamilton, Brown Shoe Company between December 10, 1906, and December 11, 1908, to-wit; 1,094,016 pairs (except 120,000 pairs of same), nowhere bore anywhere on or in the shoes themselves, the name Hamilton, Brown Shoe Company."

The fact was not disclosed by the defendant, and was studiously concealed and misrepresented, until plaintiff discovered and produced before the master so many numbers and styles of shoes so marked that the defendant was forced on June 4th, 1910 (827), to make full disclosure by stipulation and was thereby prevented from further denial of the truth.

The Cartons.

On this subject the court of appeals said (1118), 206 Fed. 616, 617:

"It was stipulated at the hearing that every pair of American Lady shoes issued by appellee to its retail dealers were sold and delivered in cartons, each of

which cartons bore prominently on the lid thereof in white letters on a black background at the head of said lid the words 'Hamilton, Brown Shoe Co.'s' and at the foot of said lid, equally prominent, the name 'American Lady,' making the lettering upon the lid read: 'Hamilton, Brown Shoe Co.'s American Lady;' that on the front end of each carton appeared the name 'American Lady' and the belt trademark of the Hamilton, Brown Shoe Company, which consisted of a black strap, in the center of which was a red background, the words 'Hamilton- Brown Shoe Co.' appearing in white letters on the black strap, and the word 'Makers' appearing in white letters on the red background. Appellee claims that this was matter accompanying the use of the words 'American Lady' as applied to the shoes sufficient to conform to the requirement made by this court, and this was the opinion of the trial court. With this we cannot agree. In the first place, **it is abundantly shown in the testimony that it is a common practice of shoe dealers,** for their own purposes of advertisement, as well as for that of maintaining a uniform stock appearance in their stores, **to remove shoes from the cartons in which they are purchased and place them in other cartons of uniform appearance and markings irrespective of the source from which they came.** In the next place, it is not only disclosed by the testimony, but it is a matter of common knowledge, that **the purchaser of shoes rarely, if ever, sees the carton in which they are encased upon the shelves—much less that in which they**

come from the manufacturer. The purchaser takes his seat at a point removed from the stock, and makes known his wishes as to the character of shoe and its size, with which he desires to be fitted; the salesman brings the shoe—often but one—taking it from the box, which he leaves upon the shelf, and the purchaser forms his opinion of the shoe from its appearance, and from the marks that appear upon the shoe itself. Therefore, **the carton, in which the shoe is originally contained, or afterwards placed, has practically no influence upon the ultimate purchase.** Furthermore, if the name 'American Lady' be placed upon the shoe itself, as the evidence shows it was, the spirit as well as the letter of the court's requirement would be that this name there placed should be accompanied by such matter as would clearly disclose the identity of the manufacturer."

. . . . . .

"These same cartons were before the court on the last appeal. It must be presumed that the retail merchant receiving the shoes in these cartons knew what shoes he was buying, and from whom. He would have known this in the absence of any carton. The appellee conceives that it has discharged its duty and obligation to the appellant, and to the public, if it has used means which would excuse it from the charge of having deceived its own customers. It says: 'We are not concerned with what the retailer does; we are concerned with how the Hamilton, Brown Shoe Company sells the shoes.' Such is not the law. If a manufac-

turer or wholesale dealer wilfully puts up goods in such a way that the **ultimate purchaser** will be deceived into buying the goods of another, it is no defense that he does not deceive and has no intention of deceiving the retailer to whom he himself sells the goods. The question is whether the defendants have or have not knowingly put into the hands of the retail dealers the means of deceiving the ultimate purchaser. Scheuer vs. Muller, et al. (C. C. A.), 74 Fed. 225; Denison Mfg. Co. vs. Thomas Mfg. Co. (C. C.) 94 Fed. 651; National Biscuit Co. vs. Baker, et al. (C. C.) 95 Fed. 135; Fairbank Co. vs. Bell Mfg. Co. (C. C.) 77 Fed. 869; Revere Rubber Co. vs. Consolidated Hoof Pad Co. (C. C.) 139 Fed. 151; Lever vs. Goodwin, L. R. 36 Ch. Div. 1; Gulden vs. Chance, et al. (C. C. A.) 182 Fed. 303."

Judge Hook said that he "agreed with the court in what it says about the ignorance of the ultimate purchaser of the labels on the cartons." So that on the subject of cartons, we have the finding of the master and the concurring opinion of six judges sitting in the court of appeals on successive appeals. In Gilson vs. United States, 234 U. S. 380, the court referred to "the settled rule of this court that the concurrent findings of two courts below will not be disturbed unless shown to be clearly erroneous."

The record shows that defendant's largest customer was a shoe store in St. Louis known as the Shoe Mart (352), and that the shoes were delivered to it in the cartons referred to in defendant's briefs. But the

shoes were always removed by the Shoe Mart from the cartons, which were destroyed (660-661), and placed on the shelves of the Shoe Mart in uniform cartons on which neither the name American Lady nor Hamilton, Brown Shoe Company appeared. These uniform cartons remained permanently on the shelves of the Shoe Mart (659-661). The treasurer of the Shoe Mart was a stockholder in defendant and served in an advisory capacity to its Board of Directors (351).

A retail dealer would have difficulty in palming off American Lady shoes for American Girl shoes if the distinguishing marks showing that the American Lady was manufactured by the Hamilton, Brown Shoe Company were placed upon the shoe itself, but if they appear only on fragile cartons, from which the shoes may be removed and from which ordinarily they are removed in effecting a sale, the fraud is easy. It was evidently for the purpose of facilitating such fraud that defendant left its name off the shoe where it would be seen by the ultimate purchaser, and placed it inconspicuously on cartons, where it would not be seen by her until after she had bought the shoes, if at all. In Herring-Hall-Marvin Company vs. Hall, 208 U. S. 554, 559, Mr. Justice Holmes in an analogous case said that "of course the explanation must accompany the use, so as to give the antidote with bane."

In Singer Manufacturing Co. vs. June Manufacturing Co., 163 U. S. 177, the defendant "advertised its machines extensively and also issued many cir-

culars concerning them and furnished with their machines a printed warranty. . . . . All the circulars offered in evidence contained substantially the statement that the machines referred to in them were manufactured by the June Manufacturing Company." The court enjoined "the defendant from marking upon sewing machines or upon any plate or device connected therewith or attached thereto, the word 'Singer' or words or letters equivalent thereto, without clearly and unmistakably specifying in connection therewith that such machines are the product of the defendant or other manufacturer, and therefore not the product of the Singer Manufacturing Company."

In George G. Fox Company vs. Hathaway, 199 Mass., 99, and the same plaintiff vs. Best Baking Company, 209 Mass., 251 (May 22, 1911), the court held that the defendant did not sufficiently distinguish its loaves of bread by placing the distinguishing marks on a paper band which could easily be removed without defacing the loaves. The court adopted the report of the master, which held (209 Mass., 254):

> "The bands placed around the defendants' loaves would, if they remained upon the loaves while in the hands of the retail dealer, be sufficient to distinguish them from the 'Creamalt' loaf; but as they were not attached to the bread, and could easily be removed by a dishonest retailer, they would not be an adequate means of distinguishing the loaves." . . .

In the case against Hathaway, 199 Mass., at p. 103, the court said that:

> "The question is not whether dealers are liable to be deceived in buying from the manufacturer or the wholesaler, but whether the user is liable to be misled in buying from the retailer. The plaintiff's loaves are distinguished by their general appearance and a small paper label containing the words, 'Fox's Creamalt,' on the top of each loaf. The defendants made their loaves of the same general appearance, and put a broad paper band upon each loaf, marked, 'Hathaway's Log Cabin Bread,' 'Finest Flavor, Malted.'
>
> This band had no such connection with the loaf that it would be likely to go with it from the retailer to the last purchaser, unless the retailer was careful to preserve it. If a retailer had any inclination to palm off a spurious product upon a consumer, the loose paper would have no tendency to prevent him."

III.

Plaintiff was entitled to an account of defendant's profits.

The court of appeals limited the account to the period subsequent to the commencement of the suit, although it found that defendant had used plaintiff's trade name illegally for a considerable period prior thereto in disregard of repeated notices from plaintiff; so that the judgment is not for the full amount to which plaintiff is justly entitled, but for wilful and persistent dis-

regard of its rights after the commencement of the suit and pending its final determination. With respect to a similar situation the Supreme Court of Massachusetts said of the defendants in Regis vs. Jaynes & Co., 191 Mass., 245, 249:

> "They chose, after full notice and warnings, to persist in violating the plaintiff's rights. If the facts as they were afterwards proved could have been made manifest to the court when the bill was filed, an injunction must have issued then. It does not lie in the defendants' mouths to say that conduct on their part which afterwards was proved to have been wrongful, and as to which they had either full knowledge, or the means of obtaining full knowledge of the facts, was either lawful or innocent."

Even after the decision of the court of appeals, which was filed on November 17, 1908, defendant continued to mark its shoes in flagrant disregard of the decision. $149,075.53 of the sum awarded is on account of shoes so made and sold. It is also shown by the record that after the decision of the court of appeals was filed defendant expended more than $48,000 in advertising in violation of the terms of the injunction ordered to be entered. Hart's table (549).

Defendant claims that "there can be no recovery of defendant's profits in an action based on unfair competition." That depends on the case. That such profits may be awarded by a court of equity in a proper case is well settled in England and in courts of last resort in this country. Some of the cases, and also cases

in the federal circuit courts and circuit courts of appeal, are cited in the opinion of the court of appeals.

A bill in equity will not lie to recover damages for the infringement of a patent or trade-mark, because it is a tort for which an adequate remedy is given at law. But where a court of equity takes jurisdiction to prevent a continuance of the wrong by injunction, the court,

> "in order to avoid multiplicity of suits and do complete justice, assumes jurisdiction to award compensation for the past injury, not, however, by assessing damages, which is the peculiar office of a jury, but requiring an account of profits, on the ground that if any had been made, it was equitable to require the wrongdoer to refund them, as it would be inequitable that he should make a profit out of his own wrong" (Root vs. Railway Company, 105 U. S., 189, 207).

At page 214 Mr. Justice Matthews refers to expressions in earlier opinions from which it might be inferred "that the infringer of a patent right is, by construction of law, a trustee of the profits derived from his wrong, for the patentee, and that a court of equity, in the exercise of its acknowledged jurisdiction over trusts and trustees, will require him to account as trustee, without reference to any other relief," and says:

> "But the inference sought to be drawn from the expressions referred to is not warranted. It is true that it is declared in those cases that, in suits in equity for relief against infringements of patents, the patentee, succeeding in estab-

lishing his right, is entitled to an account of the profits realized by the infringer, and that the rule for ascertaining the amount of such profits is that of treating the infringer as though he were a trustee for the patentee, in respect to profits. But it is nowhere said that the patentee's right to an account is based upon the idea that there is a fiduciary relation created between him and the wrongdoer by the fact of infringement, thus conferring jurisdiction upon a court of equity to administer the trust and to compel the trustee to account. . . . . All that was meant in the opinions referred to was to declare according to what rule of computation and measurement the compensation of a complainant would be ascertained in a court of equity, which, having acquired jurisdiction upon some equitable grounds to grant relief, would retain the cause for the sake of administering an entire remedy and complete justice, rather than send him to a court of law for redress in a second action. The rule adopted was that which the court in fact applies in cases of trustees who have committed breaches of trust by an unlawful use of the trust property for their own advantage; that is, to require them to refund the amount of profit which they have actually realized. This rule was adopted, not for the purpose of acquiring jurisdiction, but, in cases where, having jurisdiction to grant equitable relief, the court was not permitted by the principles and practice in equity to award damages in the sense in which the law gives them, but a substitute for damages, at the election of the

complainant, for the purpose of preventing multiplicity of suits."

In Tilghman vs. Proctor, 125 U. S., 136, 148, Mr. Justice Gray, referring to the foregoing decision, said:

> "The general rule has been sometimes said to be based upon the theory that the infringer is converted into a trustee for the owner of the patent, as regards the profits made by the use of his invention. But, as has been recently declared by this court, upon an elaborate review of the cases in this country and in England, it is more strictly accurate to say, that a court of equity, which has acquired, upon some equitable ground, jurisdiction of a suit for the infringement of a patent, will not send the plaintiff to a court of law to recover damages, but will itself administer full relief, by awarding, as an equivalent or a substitute for legal damages, a compensation computed and measured by the same rule that courts of equity apply to the case of a trustee who has wrongfully used the trust property for his own advantage. Root vs. Railway Co., 105 U. S., 189, 214, 215."

These cases answer defendant's claim that profits are recoverable in patent and trade-mark cases on the theory that an infringer is accountable as trustee for profits derived from the use of plaintiff's "property," and refute the conclusion sought to be drawn by defendant from such erroneous premise that "there is no analogy between patent and trade-mark cases and cases of unfair competition." All are torts for which an action at law for damages ordinarily

affords an adequate remedy, but when a court of equity assumes jurisdiction to prevent a continuance of the wrong by injunction it retains the cause to award compensation for the past injury, not by assessing damages, but "by requiring an account of profits, on the ground that it is equitable to require the wrongdoer to refund them, as it would be inequitable to permit him to make a profit out of his own wrong."

What difference does it make in respect of the nature of the wrong, or the remedy and measure of recovery, by what device the defendant palms off his goods as those of the plaintiff. That is what the defendant did in this case, and in the Singer Sewing Machine case, 163 U. S., 169, and in the Hall's Safe case, 208 U. S., 554. In the Singer case this court awarded "an accounting by the defendant as to any profits which may have been realized by it because of the wrongful acts it committed."

IV.

Defendant's claim that it has not infringed a "property" right examined.

The court of appeals found that the term "The American Girl" had, by plaintiff's long-continued use of it, "come to be recognized in the trade as meaning that such shoes were those of the complainant and its predecessors." When, therefore, the defendant stamped on shoes made by it the name "American Lady," without marks or matter to indicate that it was

the manufacturer, it led the public to believe that the shoes were of plaintiff's manufacture; it was equivalent to marking them with the name "The Wolf Brothers & Company." The court further found that defendant's conduct was wilful, wanton, and persistent after notice of plaintiff's right.

In G. & C. Merriam Co. vs. Saalfield, 198 Fed. 369 (C. C. A.), Circuit Judge Denison points out at p. 374, 375, that a word which has come to be indicative of origin through an acquired "secondary meaning,"

> "differs from a technical common-law trademark mainly, if not wholly, in the fact that the proprietor's right is not of absolute but of qualified, exclusion. So it is wrong, in such a case, and when this 'secondary meaning' is once established, to start with the premise that defendant is entitled to use the word; prima facie, viewed from this point, he is not. The right, for the purposes of such a case, is primarily vested in the complainant. Lord Westbury, in Wotherspoon vs. Currie, L. R. 5 H. L. 508, at page 522, says that the geographical name had, for the purposes of the case, become the property of the manufacturer. Defendant may not use the word at all, unless he accompanies it with the explanation; he must neutralize the otherwise false impression; he must 'unmistakably inform' the public that the article is of his production (Singer Mfg. Co. vs. June Mfg. Co. 163 U. S. 200), he must so distinguish that 'no one with the exercise of ordinary care' can mistake (Saxlehner vs. Eisner &

> Mendelsohn Co., 179 U. S. 19, 41); he must give 'the antidote with the bane' (Herring, etc., vs. Hall, etc., Co., 208 U. S. 559)"

In the case of a technical trade-mark the right is to the exclusive use of the word; in the other case it is to the exclusive use of the word **unless accompanied by an explanatory statement**. A defendant who uses the word **without such statement** therefore uses it in a way to which the plaintiff has **an exclusive right**, and so appropriates property in the same sense and with the same effect as the infringer of a technical trade-mark. Both infringe an exclusive right of the same legal quality for the same unlawful purpose; each uses a token to which the plaintiff has an exclusive right for the purpose of palming off his goods as those of the plaintiff.

Judge Denison, after referring to the rule in "trade-mark cases, that there can be no exclusive appropriation of geographical words or words of quality," says, at p. 373:

> "It soon developed that this latter rule, literally applied in all cases, would encourage commercial fraud, and that such universal application could not be tolerated by courts of equity; hence came the 'secondary meaning' theory. There is nothing abstruse or complicated about this theory, however difficult its application may sometimes be. It contemplates that a word or phrase originally, and, in that sense, primarily, incapable of exclusive appropriation with reference to an article on the market, be-

cause geographically or otherwise descriptive, might, nevertheless have been used so long and so exclusively by one producer with reference to his article that, in that trade, and to that branch of the purchasing public, the word or phrase had come to mean that the article was his product; in other words, had come to be, to them, his trade-mark. So it was said that the word has come to have a secondary meaning; although this phrase 'secondary meaning,' seems not happily chosen, because, in the limited field, this new meaning is primary rather than secondary; that is to say, it is, in that field, the natural meaning. Here, then, is presented a conflict of right. The alleged trespassing defendant has the right to use the word, because in its primary sense or original sense, the word is descriptive; but, owing to the fact that the word has come to mean, to a part of the public, something else, it follows that when the defendant approaches that same part of the public with the bare word and with nothing else, applied to his goods, he deceives that part of the public, and hence, he is required to accompany the use of the bare word with sufficient distinguishing marks normally to prevent the otherwise normally resulting fraud.

The fact that a defendant is required to take this precaution demonstrates that in a very true sense his use of the word has become the secondary one; otherwise he need not carry the burden. In this particular field, **the word naturally indicates the product of the complainant, and hence, defendant must do something to re-**

move the natural impression. This view may be illustrated by reference to the Singer Case. Singer Manufacturing Company vs. June Manufacturing Company, 163 U. S. 169. It was established as a fact that to those buying and using sewing machines the word 'Singer' had come to import that the machine on which it was used was made by the Singer Company; in other words, when that part of the public saw a sewing machine marked 'Singer,' its first and natural thought was that the machine was made by the Singer Company. If one who saw a sewing machine marked 'Singer' would primarily and naturally accept the word as referring only to the mechanical construction of the machine according to the Singer patents, then the June Company committed no fraud by using the word without explanation, and the burden would have been upon the Singer Company further and particularly to identify its goods; but this was not the result. The whole burden was put upon the June Company."

In an interesting article on "Development of Secondary Rights in Trade-Mark Cases" in 18 Yale Law Journal, 571 (1909), Mr. Wallace R. Lane, after pointing out the familiar instances in which "the technical law of trade-marks would not afford protection or relief against dishonest practices of unscrupulous competitors," says, at p. 574:

> "The common law has always been a friend of competition, but competition must be honest, and a dishonest competition is one form of fraud. In seeking the principle by which relief

> might be granted in a case of unfair competition, a unique and peculiar doctrine has been evolved by the courts. This doctrine is, that words in common use, geographical terms or proper names, while they may not be appropriated exclusively in their primary meaning, may come **to have a secondary meaning, which legitimately belongs exclusively to the person** who has created and developed that meaning. **In such a meaning of such term there is held to be a property right.''**

In Sartor vs. Schaden, 125 Iowa, 696, the court pointed out that the case did not involve a technical trade-mark, but the use by defendant of the word "She," which plaintiff had adopted as a trade-name for his cigars, and that "the case must turn primarily upon the doctrines applicable to that practically new branch of the law known as 'unfair trade.'" At p. 700 Deemer, C. J., delivering the opinion said:

> "But aside from the law of trade-marks, courts will protect trade-names or reputation, although not registered or properly selected as trade-marks, on the broad ground of enforcing justice and protecting one in the fruits of his toil. This is all bottomed on the principle of common business integrity, and proceeds on the theory that while the primary and common use of a word or phrase may not be exclusively appropriated, there may be a secondary meaning or construction which will belong to the person who has developed it. **In this secondary meaning there may be a property right.''**

On the first appeal in this case the court said (411, 412), 165 Fed. 413:

> "While the term, 'The American Girl,' as applied by complainant and its predecessors was not subject to exclusive appropriation by them, it had nevertheless, by their long continued use of it, come to have a secondary meaning, indicative of the origin and manufacture of the shoes to which it was applied, and had come to be recognized in the trade as meaning that such shoes were those of the complainant and its predecessors. Whatever of good-will and advantage resulted from this, was the **property of the complainant**, and while others were entitled to use the same, or any similar term, because of its being common property, they could do so only on condition that they accompanied it with such distinguishing marks or matter as would plainly indicate that it was not being used with its secondary signification; that is, as pointing to the complainant as the manufacturer of the goods to which it was applied."

In Wotherspoon vs. Currie, L. R. 5 H. L. 508, Lord Westbury said at p. 522, that "the word 'Glenfield,' as a denomination of starch, had become **the property** of the appellants." The reporter's syllabus reads:

> "A name may become a trade denomination, and as such **the property** of a particular person who first gives it to a particular article of manufacture."

Judge Denison refers to this statement of Lord Westbury. But whether the right is properly classi-

fied as property is immaterial; the courts have uniformly applied the same rule as in cases of strict trade-marks, and for the same reason.

In Singer Manufacturing Company vs. June Manufacturing Company, 163 U. S. 169, 188, Mr. Justice White, after citing cases of both classes, said:

> "Where the name is one which had previously thereto come to indicate the source of manufacture of particular devices, the use of such name by another, unaccompanied with any precaution or indication, in **itself** amounts to an artifice calculated to produce the deception alluded to in the foregoing adjudications."

The decree contained—

> "a direction for an accounting by the defendant as to any profits which may have been realized by it, because of the wrongful acts by it committed" (p. 204).

In the case against Bent the defendant was—

> "ordered to account as to any profits which may have been realized by him, because of the wrongful acts by him committed" (163 U. S. 207).

In Saxlehner vs. Siegel-Cooper Co., 179 U. S. 42, this court directed an injunction against all the defendants, "but that, as the Siegel-Cooper Company appears to have acted in good faith and the sales of the others were small, they should not be required to account for gains and profits."

Edelsten vs. Edelsten, 1 DeGex, J. & S., 185 (1863) was argued by distinguished counsel, including for the defendant, Sir Hugh Cairns, who had been solicitor-general and was later attorney-general and Lord Chancellor, and was decided by Vice-Chancellor Sir William Page Wood, who became Lord Chancellor Hatherly in 1868, and by Lord Chancellor Lord Westbury. There was an injunction and an account of profits. The plaintiff adopted an anchor as a trade-mark and his wire was known as "Anchor Wire." The defendant, with knowledge of the plaintiff's right, adopted a crown and anchor and called his product "Crown and Anchor Wire." The Lord Chancellor disposed as follows (p. 200) of two claims that are urged at bar:

> "Neither will the plaintiff be deprived of remedy in equity, even if it be shown by the defendant that all the persons who bought from him goods bearing the plaintiff's trade-mark were well aware that they were not of the plaintiff's manufacture. **If the goods were so supplied by the defendants for the purpose of being sold again in the market, the injury to the plaintiff is sufficient.**
>
> Again, it is not necessary for relief in equity, that proof should be given of persons having been actually deceived, and having bought goods with the defendant's mark under the belief that they were of the manufacture of the plaintiff, **provided the court be satisfied that the resemblance is such as would be likely to cause the one mark to be mistaken for the other.**

> I advert to these general rules because they meet some portions of the argument addressed to me by defendants."

The defendant urged that the account of profits directed by the Vice-Chancellor was "too severe," but the Lord Chancellor adverted to the fact that the infringement was with knowledge of the plaintiff's right (p. 199) and held (p. 203) that the decree was "on terms as lenient as can be directed consistently with the principles of the court."

Edelsten vs. Edelsten involved a technical trade-mark, but the same rules were applied in Lever vs. Goodwin, L. R. 36 Ch. D. 1 (1887), which involved the use of words which the court held "did not constitute a good trade-mark," because they were descriptive. The plaintiffs called their soap "Sunlight Self-washer," or "Sunlight Self-washing." The defendants called theirs "Goodwin's Self-washing Soap" and put it up in packets that "were very similar in general appearance to those of the plaintiffs, though there was no difficulty in distinguishing one from the other if they were put side by side" (p. 2). Mr. Justice Chitty gave an injunction and an account of profits, and his decree was unanimously affirmed by the Court of Appeals, composed of Lords Justices Lindley, Cotton and Bowen.

The report of the case contains the following account of the argument of counsel for the defendants in the Court of Appeals on the subject of the account (p. 4):

"But supposing an injunction and account ought to be directed, the account ought not to be so wide. It would include soap sold in these wrappers to people who came and asked for the defendants' soap, and who, therefore, would not be deceived. No damages could be recovered at law unless injury was proved: Blofeld vs. Payne, 4 B. & Ad. 410. The account should only extend to profits arising from the sale of soap which can be shown to have been passed off as soap of the plaintiffs.

[Lindley, L. J.: The utmost you can ask is to have an exception of soap which you can show to have been bought by the ultimate purchasers as defendant's soap.]

There is no authority for directing, in a case of this nature, an account in the form of the account which has been directed. The case of infringement of a trade-mark is not the same as a case of trespass on mines or of infringing a patent. In the latter cases, every step of the defendant is a damage to the plaintiff, but it cannot be inferred that every one who bought the defendant's soap would have bought the plaintiff's soap if the defendants had not passed off their soap for that of the plaintiffs: Leather Cloth Company vs. Hirschfield, L. R. 1 Eq. 299, Davenport vs. Rylands, L. R. 1 Eq. 302. What the defendants have done may not have injured the plaintiffs at all."

Lord Justice Cotton, who delivered the principal opinion in the Court of Appeals, said, on the subject of the account (p. 7):

"Mr. Chadwyck Healey contended that the only profit which the plaintiff could call for was that profit which arose from the sale of this soap where the ultimate purchaser bought it, not as the defendants', but as the plaintiffs' soap. But, in my opinion, **that is mistaking the whole gist of this action.** The defendants, as I understand, do not sell anything to retail purchasers; what they sell they sell **to middlemen,** that is to say, to people who purchase from them as wholesale merchants, and who are going to sell it by retail; and the complaint against the defendants is this: 'You have dressed up your soap in such a dress that those middlemen to whom you sell it are enabled, by its having that deceptive dress upon it, to sell it to the ultimate purchasers as the soap of the plaintiffs'. The profit for which the defendants must account is the profit which they have made by the sale of soap in that fraudulent dress to the middlemen. It is immaterial how the middlemen deal with it. If they find it for their benefit not to use it fraudulently, but to sell the soap to the purchasers from them as Goodwin's, that cannot affect the question whether the sale by the defendants to those middlemen of this soap in a fraudulent dress was a wrongful act. It still remains a wrongful act, because it put into the hands of the middlemen the means of committing a fraud on the plaintiffs by selling the soap of the defendants as the soap of the plaintiffs. In my opinion, therefore, the account of profits is right as it stands."

Lord Justice Lindley concurring, said (p. 8):

> "The question raised by Mr. Chadwyck Healey as to profits and the form of the account struck me as somewhat novel, and deserving of attention; but having looked at Edelsten vs. Edelsten, 1 D. J. & S. 185, and having regard to the reasons given in the judgment of Lord Westbury in that case, I am satisfied that Mr. Justice Chitty was right, and for the reasons which have been given I am of opinion that the appeal fails."

Lord Justice Bowen was "of the same opinion."

In Shoe Co. vs. Shoe Co., 100 Me., 461 at 479, the court said:

> "The rule which now prevails in the equity courts respecting the wrongdoer's accountability for the profits and damages resulting from his unlawful acts, requires the master not only to take an account of all profits made by the defendant, but also to make an inquiry in regard to all damages sustained by the plaintiff on account of the defendant's wrongful acts, and since it cannot be ascertained with any reasonable certainty how much of the profit is due to the trade-mark, and how much to the intrinsic value of the commodity, the whole will be awarded to the plaintiff. It is equally well settled that the profits recoverable in equity for unfair competition are governed by the same rule as in cases of infringement of trade-marks, and are not limited to such as accrue from sales, in which it is shown that the customer is actually deceived, but include all made on the

goods sold in the simulated dress or package, and in violation of the rights of the original proprietor."

In Avery vs. Meikel, 85 Ky., 435, 448, the court said:

> "Every consideration of reason, justice and sound policy demands that one who fraudulently uses the trade-mark of another should not be allowed to shield himself from liability for the profit he has made by the use of the trade-mark, on the plea that it is impossible to determine how much of the profit is due to the trade-mark, and how much to the intrinsic value of the commodity. The fact that it is impossible to apportion the profit, renders it just that he should lose the whole."

To the same effect are:

Regis vs. Jaynes, 191 Mass. 245.

Forster Mfg. Co. vs. Cutter-Tower Co., 211 Mass. 219.

Paul on Trade-Marks, Sec. 326 and cases cited.

In Notaseme Hosiery Co. vs. Straus, et al., 209 Fed. 495 (1913), Judge Lacombe sitting in the district court, having found that there had been "a carefully planned and deliberate attempt to simulate successfully the dress or earmark of another's goods," said:

> "That constitutes a fraudulent intent, and, when there is such a plain intent, the authorities, as I understand them, allow complainant to recover profits as he would in an ordinary registered trade-mark case."

The judgment was affirmed by the Circuit Court of Appeals, Second Circuit, 215 Fed. 361 (May 14, 1914).

P. E. Sharpless Co. vs. Lawrence, 213 Fed. 423 (C. C. A.), does not support defendant's claim that "cases of unfair trade do not involve the element of the use of another's property." It was a petition in mandamus in the court of appeals, claiming that the decretal order entered by the district court did not conform to the decree and mandate of the court of appeals, which directed an assessment of the "damages sustained by the plaintiff," whereas the district court appointed a master to assess damages and also to take an account of defendant's profits. In awarding mandamus the court of appeals said, at p. 428:

> "It was not competent for the court below, by the so-called decretal order, to treat the word 'damages' as a generic term, including more than actual pecuniary damage suffered by the plaintiffs, and to so enlarge its scope as to include elements not contemplated by the decree as we have affirmed it. If profits, as well as damages, were to be recovered, they should have been included in the decree, and as we have above indicated, **it was quite within the competency of the court, upon finding willful and fraudulent competition, to have so decreed.** It is not a question now, whether such profits could or should have been so awarded. We are dealing merely with the question, whether the plain meaning of the decree, as entered in the court below and affirmed by this court, can be practically altered by a decretal order instructing the master as to the measure of damages."

The court's statement that a court of equity may award an account of profits "upon finding willful and fraudulent competition" is in accord with the judgments of this court in the Singer Sewing Machine and other cases, with the well settled rule in England, and with the decisions of the United States Circuit Courts of Appeal and of state courts of last resort wherever the question has arisen.

Baker vs. Baker, 115 Fed. 297, upon which the defendant relies was a contest between two Bakers, neither of whom was the original Baker; both were pirates. Circuit Judge Lacombe said, p. 300:

> "both are piratical traders, seeking to sell their goods on the strength of the reputation of another manufacturer, whose name was a household word throughout the country before either of them appeared; and, in my opinion, neither of them is entitled to equitable relief against the other."

The charge was that the defendant was interfering with plaintiff's trade by employing one Sanders, a former salesman of the original Baker, to approach plaintiff's retail customers and by issuing circulars to such customers, simulating plaintiff's circulars. The court considered only the effect on plaintiff's immediate trade as charged, and not the effect on ultimate customers as to which there was no charge so far as the report shows.

V.

Plaintiff has sustained the burden of proof.

The court of appeals in ~~1910, the~~ 1908 master in ~~1912,~~ 1911 and the court of appeals again in 1913, have all held in effect that the use by defendant of the name "American Lady" on its shoes was for the purpose of deception and in order to attract to itself the trade or custom which, without such improper act, would naturally have flowed to plaintiff, which first used the words "American Girl" **alone** on its shoes. it is the name of the shoe which, in the usual course of dealing, effects its sale; that is its natural tendency. No one understood this better, from a practical standpoint, than defendant, as shown by the fact that in 1907 and 1908 it changed its markings at the suggestion of its **salesmen.** so as to leave no mark except American Lady on substantially all such shoes. Since the use of the pirated name "American Lady," as the court has found, was designed and intended by defendant to effect sales by inducing the purchaser to believe that they were the "American Girl" shoe of plaintiff, the presumption, in the absence of proof to the contrary, is that the defendant effected its designed purpose as to every sale of shoes proved to have been made under such deceptive and pirated trade name. It was not necessary, as the authorities show, for plaintiff to offer specific proof as to particular purchasers.

In Avery vs. Meikle, 85 Ky. 435, the court said:

"To require the appellants to show an

actual fraudulent representation made by the appellees to those who purchased their plows would be impracticable and result in permitting the wrong-doer to appropriate property of another to his own use without rendering an account, as he would scarcely say to a purchaser, 'These plows I am selling were made by the Averys'. The law makes this representation for him when he has imitated the manufactured article he is selling so as to destroy the trade-mark and enable him to sell it as the product of another."

In Lawrence Mfg. Co. vs. Tennessee Mfg. Co., 138 U. S., 138, 546, Mr. Chief Justice Fuller said:

> "The first appropriator of a name or device pointing to his ownership, or which, by being associated with articles of trade has acquired an understood reference to the originator, or manufacturer of the articles, is injured whenever another adopts the same name or device for similar articles, **because such adoption is in effect representing falsely that the productions of the latter are those of the former.**"

In Forster Mfg. Co. vs. Cutter-Tower Co., 211 Mass., 219, 222, Braley, J., said:

> "The plaintiff upon these findings, while claiming no rights of property in the brand name used by the jobber, had acquired a reputation and good will in connection with, and as a part of its business, which generally is recognized as a property right, and will be protected against the unfair competition of rival manu-

facturers or dealers in similar products. Geo. C. Fox Co. vs. Glynn, 191 Mass., 344, 349; Reading Stove Works vs. S. M. Howes Co., 201 Mass., 437, 438; Draper vs. Skerrett, 116 Fed. 206. It is wholly immaterial where this right has been invaded, that the retail or wholesale dealer who may be the immediate purchaser of goods put out in imitation is not misled as to their identity. The wrong of unfair competition is present where goods are so dressed in form, or marked by decorative symbols, that the ultimate customer, when the goods are distributed for use in the ordinary course of trade, either is, or possibly may be deceived. The liability to deception being the test, it also is not necessary to show that specific buyers have been actually deceived, or that the infringer did intend to deceive the public. **He is bound to know the probable consequences where the means of such deception have been supplied by him.** New England Awl Co. vs. Marlborough Co., 168 Mass., 154; Reading Stove Works vs. S. M. Howes Co., 201 Mass., 437, 440, 441, and cases there cited.

The defendant, for the purpose of acquiring the extensive trade of a jobber with whom the plaintiff did business, deliberately duplicated the plaintiff's box or packages in every particular, with the exception of the monogram, and thereafter these receptacles filled with toothpicks, in which the defendant, although not a manufacturer, very largely dealt, were widely distributed to consumers through dealers in the trade to whom it sold them. This

> misappropriation having been an invasion of the plaintiff's exclusive right to the form, style and dress of the box or package in which its goods had been marketed, it is entitled to injunctive relief even if the defendant had acted innocently. **But as the defendant must be presumed to have contemplated the probable effect of its purpose to acquire so far as possible the plaintiff's customers and trade, it is liable for both actual damages and profits, if any, realized from the sale of toothpicks in the imitation packages.** Regis vs. Jaynes, 191 Mass., 245."

In National Biscuit Co. vs. Baker (C. C.), 95 Fed. 135, Judge Lacombe said:

> "As has often been pointed out before, it makes no difference that dealers in the article are not deceived. No one expects that they will be. It is the probable experience of the consumer that the court considers."

The record does not support petitioner's statement that there was no evidence that the plaintiff had suffered any damage, or that it ever lost a single customer by reason of defendant's conduct, or that this was admitted in complainant's brief before the master, or that it was found by the master or by the court of appeals. Loss of customers is shown (5-8). The master found that the plaintiff had suffered damage, but "that the amount of profits as established before him by the testimony and stipulation is amply sufficient to cover the damages which the plaintiff has suffered since the filing of the bill, as distinguished

from the profits" ~~(485)~~ 459. The court of appeals, after finding "that reasonably certain injury and material damage resulted to plaintiff," specifying what it was (206 Fed. 615), said, at p. 619, that "no special damages apart from profits are shown. The method of computation adopted by the master was essentially fair and the profits found substantially accurate."

The statements quoted by counsel from the opinion of the district judge (1110), are all in direct conflict with the record. The statement that "the record in this case is absolutely barren of evidence tending to show that any individual purchased a pair of shoes marked 'American Lady' believing at the time of the purchase he was getting 'American Girl' " is made in the face of the following uncontradicted testimony of Allie Friedman, who conducted a shoe store at Bedford, Indiana, under the name of the Red Cross Shoe Store, and had been engaged in handling American Girl shoes, (7):

> "About four or five weeks ago there was a lady came into my place, she says: 'I have a pair of shoes on, bought here, and I want the buttons set over.' I says, 'All right.' I took off the shoe and started toward the button machine and noticed that it was an 'American Lady' shoe. I asked her, I says, 'Did you get those shoes here?' She says, 'Yes. I gave my sister the money and told her to buy me a pair of 'American Girl' shoes.' 'Well,' I says, 'you didn't get them.' She says, 'I beg your pardon sir, I did get them here.' I said, 'This is an

'American Lady' shoe you have. We sell the 'American Girl' shoe. She says she didn't know the difference. Rather than to have any arguments I put the buttons on for her and showed her the difference in the shoes. After I showed her the difference in the two brands she did not look thoroughly convinced whether it was the same shoe, or a different shoe. I thought it best to tell her that Mr. Foster, my competitor, sells the 'American Lady' shoe, and she looked satisfied.

The following testimony of Mrs. Victoria B. Ryan (81-82) is uncontradicted and is corroborated in every respect by Miss Ives (86-87). After the commencement of the suit Mrs. Ryan went into the Boston Shoe Store at Peru, Indiana, and asked the man for the "American Girl" shoe. He said, "Yes, I have those shoes," and he took down two pairs of the "American Lady" shoes. The witness thereupon asked him which was the "American Girl" shoe. He said, "They are both 'The American Girl' shoes." Miss Ives, who was with the witness, also examined the shoe, and noticing the name, asked if it was the same as "The American Girl" shoe. The man said, "Yes, it is the same thing, made by the same people." The witness thereupon purchased the shoes for $3.50 and received them in a box, which was duly marked and offered in evidence as "Complainant's Exhibit No. 102," receiving receipt for the purchase. (81-82)

Equally undisputed is the testimony of Mrs. Ryan

of her experience on September 1, 1906, at Springfield, Illinois, at the shoe store of John P. Corey. She states she asked the clerk there for "The American Girl" shoe. That he showed her a pair of shoes marked "American Lady," saying, "I just have a few pairs of these left." When asked what kind of shoe was that, he said it was the same as "The American Girl" shoe. "Some call them the 'American Lady' and some the 'American Girl.'" The witness thereupon purchased a pair of these shoes for $2.50, which are in evidence as "Complainant's Exhibit No. 108." (84)

The testimony was corroborated by Miss Ella J. Swink, who was with the witness at the time. (89).

There are other instances of the like palming off of "American Lady" shoes as "American Girl" shoes, culminating in actual sales (80-85, 92).

It is true that the testimony in the last cited cases is disputed, but the court of appeals, upon all the evidence, said in its opinion (409):

> "It is plainly obvious, we think, that the words 'The American Girl' and 'The American Lady' are so similar as to cause confusion, and the evidence fully discloses such to have been the result."

The district judge also said erroneously in his opinion:

> "There is no evidence in the record to prove that a single pair of shoes marked 'American Lady' was ever taken from the carton in which they were enclosed before sale" (1110).

The record shows that in the Shoe Mart, a St. Louis shoe store, which is the largest purchaser at retail from the defendant of "American Lady" shoes (351, 352), no such cartons were used. It is also in the record that all the thousands of defendant's "American Lady" shoes sold to retail purchasers by the Shoe Mart were never sold in the original cartons of the Hamilton, Brown Shoe Company, but said original cartons were discarded and destroyed (659, Q. 266-271, inclusive; 660, 661, Q. 272-280, Q. 281-284, inc.). Before destroying and discarding the cartons as above set out, the "American Lady" shoes were taken therefrom and placed in other cartons—such cartons were uniform cartons, and were placed on the shelves of the Shoe Mart (659-661), and there appeared thereon neither the name "American Lady," nor that of the Hamilton-Brown Shoe Company (660, Q. 278). Such uniform cartons remained permanently on the shelves of the Shoe Mart.

It will thus be seen that instead of there being no evidence in the record tending to prove that a single pair of shoes marked "American Lady" was ever taken from the cartons in which they were enclosed, before sale, that the largest customer of the defendant company, the Shoe Mart of St. Louis, Missouri, took thousands of pairs of "American Lady" shoes from the cartons in which they were enclosed, before their sale, and therefore such shoes could never have reached the purchasers in the cartons in which they

were originally delivered to the Shoe Mart. The treasurer of the Shoe Mart was a stockholder in the defendant and acted in an advisory capacity to its board of directors (351).

The record shows (78) the facts as to the manufacture and sale of "American Girl" shoes from the year 1900 on. The year 1900 showed a big increase over the year 1899. The year 1901 showed a decrease over the year preceding. The defendant adopted the tradename "American Lady" in August or September, 1900 (312), and made its first sales of such shoes on November 7th of that year (313).

Since 1901 plaintiff's gain each year had been about 10% over the year preceding, but it made such gain at a largely increased expense, for since 1901 it had to maintain a much larger selling force, had been forced to advertise vigorously and in general to prosecute its business in face of competition of "American Lady" shoes and the inroads which it was making and had been making in plaintiff's established trade. When plaintiff had the field to itself, in 1900, without defendant's unlawful competition, it had a large increase in the sale of "American Girl" shoes over the year previous, and had it not been for the competition of "American Lady" shoes that large increase would have been maintained each succeeding year (78).

It is, therefore, shown beyond any possible dispute that plaintiff's output was largely affected, and the sales of "The American Girl" shoes decreased by the

action of defendant by way of unlawful competition in selling "American Lady" shoes. As a necessary consequence of such unlawful conduct on the part of defendant, plaintiff's profits did not keep pace with its growth (78 79).

VI.

"American Girl" is a Valid Trade-Mark.

Plaintiff sewed the words "The American Girl," accompanied by the word "trade-mark," onto its shoes as a top facing (sample opposite p. ~~229~~ 138), and also stamped the words on the sole. See pictures of plaintiff's shoes (384-390). So that the words were used as a trade-mark in the strict sense of the term, and not merely as an advertisement trade-name. Likewise, defendant stamped American Lady on its shoes. See pictures of defendant's shoes (391-394).

The court of appeals on the first appeal held that the term which plaintiff had adopted as a trade-mark was invalid because it was a geographical name. District Judge W. H. Munger, who wrote the opinion, Circuit Judge VanDevanter concurring, disposed of the subject with the following brief statement (408), 165 Fed. 414:

> "The first question for consideration is whether the term "The American Girl" constitutes a valid trade-mark. We think it settled doctrine that geographical names can not be appropriated to the exclusive use of one as a trade-name. Columbia Mill Co. vs. Alcorn, 150 U. S.

460; Delaware & H. Canal Co. vs. Clark, 13 Wall. 311; Genesee Salt Co. vs. Burnap, 73 Fed. 818; 20 C. C. A. 27; Ill. Watch Co. vs. Elgin Nat. Watch Co., 94 Fed. 667, 35 C. C. A. 242; 179 U. S. 665; Allen B. Wrisley Co. vs. Iowa Soap Co., 59 C. C. A. 54, 122 Fed. 796.

We also think that the name, as applied to women's shoes is descriptive merely, viz: shoes manufactured in America and to be worn by women, and not an arbitrary or fanciful name to indicate maker; hence the name 'The American Girl,' as applied to shoes, is not the subject of a valid trade-mark."

Circuit Judge Sanborn, dissenting, said (412), 165 Fed. 418:

"If the alleged trade-mark were the "American Shoe" it would be invalid, because that term would constitute a geographical name of the shoes, but the title, 'The American Girl,' when applied to a shoe, is, in my opinion, an arbitrary and fanciful name and hence constitutes a valid trade-mark when it comes to designate the origin or manufacture of the shoe. It was not a geographical description of the shoe because it does not state or indicate that it was made, or sold, or used, in America. It was not when first applied by the complainant to the shoe and before he had taught the trade its meaning, descriptive of the shoe or of its materials or characteristics (and that is the true test, Wellcome vs. Thompson & Capper, 1 L. R. Chan. Div. 1904, pages 736, 742, 749, 750, 754; Keasbey vs. Chemical Works, 142 N. Y. 467, 471,

> 474, 475, 476), because it described nothing but a girl and the term 'American Girl' was just as descriptive of a coat, or a hat, or a glove, or a car, or an engine, or any other manufactured article, as it was of a shoe, that is to say it was not descriptive of a shoe in any way whatever. It was nothing but an arbitrary fanciful term which the complainant, by means of its advertisements and its use, caused to indicate to the trade that the shoe to which it was applied originated in the complainant's shops and was made by it. For these reasons I am of the opinion that the term 'American Girl,' when applied to a shoe, constitutes a valid trade-mark, that the defendant infringed upon the right of the complainant thereto by the use of the term the 'American Lady' to designate a class of shoes which it sold, that on account of that infringement it should be enjoined from the use of that term and should account to the complainant from the date of filing of the bill."

A word which is merely descriptive can not be appropriated as an exclusive trade-mark for a vendible commodity, because every dealer has a right to describe the thing and to use any appropriate term for that purpose. It is for the same reason that a geographical name, when it is merely descriptive of the place where an article is manufactured, can not be appropriated. But "The American Girl," as applied to shoes, describes nothing. The majority opinion says that it describes "shoes manufactured in America and to be worn by women." Naturally it

suggests that the shoe known as The American Girl is intended for women, but that does not make the term so far descriptive as to prevent its adoption as a trade-mark.

In Keasbey vs. The Brooklyn Chemical Works, 142 N. Y. 467, cited by Judge Sanborn, the court of appeals of New York held that "Bromo-Caffeine" was a valid trade-mark, overruling the contention that the word could not be appropriated because it was merely descriptive of the article. Mr. Justice Peckham said (p. 477):

> "We think this case comes within the doctrine of those cases which have protected the words as a trade-mark, although they suggested more or less the composition, quality, or characteristics of the article."

He conceded (p. 474) that "the name may and probably would suggest to any intelligent man a suspicion or perhaps a belief that the article had bromine or a bromide and caffeine in it in some conceivable form," but he held that that was no objection to its appropriation as a trade-mark. He said (p. 474):

> "The trade-mark does not impart information as to the general characteristics and composition of the plaintiffs' preparation, at least **to such an extent as to render the trade-mark itself invalid on that ground.**"
>
> "Unless the word give some reasonably accurate, some tolerably distinct knowledge as to what the ingredient is, it is clear that it is not descriptive within the meaning of that term as

used with reference to a trade-mark" (p. 474).

"The word could only be said to inform one of the fact that bromine or some kind of bromide had entered into and formed part of the compound, but upon the question whether it was bromine, or one of the many different kinds of bromides, the word 'Bromo' would give no knowledge whatever. A name which furnishes no information on this point can not be said to be so far descriptive in its nature as to prevent its adoption as a trade-mark so far as this question is concerned" (p. 475).

The majority opinion shows that "The American Girl" was not understood by the trade as a descriptive term, but as a trade-mark, for the opinion states that it was "recognized in the trade as meaning that such shoes were those of the complainant and its predecessors" (411). True, the court says that this was its secondary meaning, but "The American Girl" had no other meaning as applied to shoes. It was a fanciful combination of words designed to attract the attention of those seeking a stylish shoe, fit for the American Girl.

Nor does the phrase make such use of a geographical name as to affect its validity as a trade-mark. "American" is not used alone or as merely descriptive of place of manufacture. One can not appropriate "Lackawanna Coal," because that means coal from the Lackawanna Valley and every dealer in such coal is entitled to apply that description (13 Wall. 311); nor "Elgin Watches," for that means watches made in

Elgin, and every manufacturer there is entitled to use the designation (179 U. S. 665). So the petitioner would be debarred from appropriating "American Shoes." But "The American Girl" as a designation for shoes is nothing but a fanciful term to suggest a shoe fit for the typical smart dresser, the American girl. It is no less fanciful than "The Chic Girl," "The French Girl," "The Actress," "The Smart Dresser," "The Smart Set," "The New York Belle," or "The Saratoga Belle," any of which would be a valid trade-mark for corsets, shoes, or other articles of wearing apparel.

Greek Maid (corsets), The Bachelor Girl (ladies' belts), Violet Girl (perfumes), Boston Girl (hosiery) and Leading Lady (shoes), have been registered in the patent office as trade-marks under the Act of February 20, 1905. On May 5, 1905, defendant registered American Gentleman as a trade-mark for shoes. Mr. Dana, member of the firm to whose business plaintiff succeeded, and kinsman of Charles Dana Gibson, the artist, is supposed to have selected The American Girl as a trade-mark from its analogy to The Gibson Girl.

In Dennison Mfg. Co. vs. Thomas Mfg. Co., 94 Fed. 651, 653, involving the trade-mark for sealing wax, consisting of the words "American Express," Judge Bradford said:

> "The words 'American Express' are not in themselves descriptive of the article, its size or quality, and are properly the subject of exclusive appropriation as a trade-mark for sealing

wax, and must, under the averments of the bill be held to constitute a valid trade-mark."

In Joseph Banigan Rubber Co. vs. Bloomingdale, 89 Pat. Off. Gaz. 1670, the former Commissioner of Patents Duell, subsequently Judge of the Court of Appeals of the District of Columbia, sustained the words "American Volunteer" as a rubber shoe trade-mark.

Circuit Judge Sanborn had the distinction well in mind between "American" as a geographical term, indicating place of manufacture, and "The American Girl" as a fanciful term, suggesting a type of women, the smart dresser, for he delivered the opinion in the circuit court of appeals for the eighth circuit in Shaver vs. Heller & Merz Co., 108 Fed. 821, where it was held that American Ball Blue could not be appropriated to the exclusive use of anyone as a trade-mark, and where he said: "Geographical terms and words descriptive of the character, quality, or places of manufacture or of sale of articles can not be monopolized as trade-marks."

VII.

Defendant's claim for deductions disallowed by the master.

These claims were all presented to the master and carefully considered by him and by the court of appeals, which overruled defendant's exceptions to the decision of the master, holding that "the method of computation adopted by the master was essentially

fair, and the profits found substantially accurate'' (1121). Under these circumstances we submit that the matter is hardly open to review on this writ. If it is we refer to the master's report, which, for the convenience of the court, we bind separately and file. It presents clearly the ground of decision on each claim.

CONCLUSION.

We respectfully submit that plaintiff is entitled to interest on the amount awarded from March 9, 1910, the date as of which the master stated the account (Tilghman vs. Proctor, 125 U. S. 136, 160), and, if ''American Girl'' is held to be a valid trade-mark, to an absolute injunction against the use of ''American Lady'' by defendant, and to the additional sum of $132,740.77, the profits on Class 3 as found by the master.

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Office Supreme Court, U. S.
FILED
OCT 27 1915
CLERK

IN THE

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1915.

No. 37.

HAMILTON, BROWN SHOE COMPANY,
Petitioner,

vs.

THE WOLF BROTHERS AND COMPANY,
Respondent.

REPLY BRIEF FOR PETITIONER.

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STATEMENT.

In the brief filed in this court by the respondent certain statements have been made which we believe should be answered, and for that reason we are filing this, our reply brief.

"SINCE THE COMMENCEMENT OF THIS SUIT" —THE ONLY TIME IN QUESTION ON THIS ACCOUNTING.

At the outset we desire to emphasize a fact which we believe to be necessary to a clear understanding

and a correct decision of this case. The bill of complaint herein was filed January 29, 1906 (Rec., p. 203). In its opinion on the first appeal the Circuit Court of Appeals (opinion by Judge Munger, concurred in by Mr. Justice Van Devanter) ordered that the accounting should be "limited to the time **since the commencement of this suit**" (Rec., p. 412). In the decree entered in the Circuit Court it was expressly stated that the accounting should be limited to the time "since the commencement of this suit". Therefore, it is plain that the accounting in this case must be confined to the period commencing with January 29, 1906, the date of "the commencement of this suit", and that the defendant can only be compelled to account for things done by it subsequent to that date.

In that opinion the Court of Appeals (Munger and Van Devanter, Judges) held that the limit of the complainant's right in this case was a right to be protected from the use of the name "American Lady" by the defendant "in a manner and under circumstances constituting unfair trade, the essence of the rule being that one person shall not, in the sale of his goods, so act as to lead the public to believe that they are the goods of another". Therefore, the accounting having been "limited to the time **since** the commencement of this suit", it must follow that the accounting can only relate to the American Lady Shoes sold by the defendant "in a manner and under circumstances constituting unfair trade" "since the commencement of this suit".

By limiting the accounting to the time "**since** the commencement of this suit" the Court of Appeals established a clear distinction between the case as pre-

sented under the bill of complaint, which must have related to the conditions as they existed at the time of and **prior to** the filing of the bill of complaint, and the case which the plaintiff would be required to make out on the accounting. In other words, the defendant might be guilty of unfair competition in trade during the period **prior to** the filing of the bill of complaint and that fact might be clearly established, but it would not create any presumption with reference to the defendant's guilt or innocence "**since** the commencement of this suit".

Although numerous of the defendant's shoes might have been sold "as and for the goods of the complainant" **prior to** the filing of the bill of complaint, the very fact that the accounting is limited to "the time **since** the commencement of the suit" makes it necessary for the complainant to prove that the elements necessary to a case of unfair competition in trade occurred during the period to which the accounting is thus limited before it would have a right to recover on the accounting. No fact which was before the Court under the original bill and answer was before the Court or relevant to the issues presented on the accounting. True, the same facts might have been shown to exist subsequent to, **or since**, the filing of the bill of complaint, but that would be a matter of proof on the accounting. Therefore, in the absence of competent and credible evidence to show that the facts were the same "**since** the filing of the bill of complaint" as they were **prior to** the filing of the bill of complaint, the facts and circumstances which were before the Court on the original hearing would not be relevant or material to the case which the complainant would be required to make on the accounting.

Not the Use of American Lady Alone, but That "Together With" Other Things Enumerated in Opinion of Court of Appeals, Met With Disapprobation of That Court on First Appeal.

In its opinion on the last appeal the Court of Appeals (Van Valkenburg and Smith, Judges) referred (Rec., p. 1117) to certain findings of fact by the Court of Appeals on the first appeal and to conclusions based thereon. As pointed out above, these findings and conclusions related to a condition which existed **prior to** the filing of the bill of complaint. In its opinion on the last appeal, the Court of Appeals adopted those conclusions and used them as a basis for its decision on the second appeal, relating to a period of time **since** the filing of the bill of complaint, without any evidence to show that the same facts existed subsequent to, or **since**, the filing of the bill of complaint. As pointed out at the outset of the opinion on the second appeal, the complainant, in its bill of complaint, charged the defendant with "unfair trade by the use of the name American Lady, **together with** certain catch phrases and numerals theretofore adopted and used by appellant" (Rec., pp. 1114-15). Further on in its said opinion (Rec., p. 1117) that Court, referring to the opinion on the first appeal, states that on the first appeal that Court had "found that there was a design to defraud, and that the means adopted [prior to the filing of the bill of complaint] were reasonably calculated to make that design effective". But how could that be material on this accounting unless the means so adopted were used subsequent to, **or since**, the filing of the bill of complaint?

As pointing out what the Court of Appeals on the first appeal found that this defendant did **prior to** the filing of the bill and which, **"together with"** the use of the name "American Lady", constituted unfair trade, the Court of Appeals on the second appeal stated that on the first appeal that court had found that after the complainant adopted the catch phrase "A shoe as good as its name", the defendant "adopted" and began to use in connection with the name "American Lady" the catch phrases, "The shoe deserves its name" and "With the character of the woman", also that after the complainants had used certain numerals in its catalogue to designate different styles of its said shoes that thereafter the defendant adopted "the identical numerals used by appellant, that later appellant adopted an additional numeral, 397, and that directly thereafter appellee went back and adopted the same numeral" (Rec., p. 1117). But how is that material and how can it weigh against this defendant on this accounting if the defendant discontinued the use of the catch phrases and numerals **prior to** the filing of the bill of complaint, and did not use them **since** the filing of the bill of complaint, to which latter period the accounting was expressly limited?

We do not admit that the facts were as thus found by the Court on the first appeal, but, as pointed out in the opinion on the second appeal, the finding on the first appeal that such were the facts, **"together with"** the fact that the defendant used the words "American Lady", were what induced the Court of Appeals to grant the injunction and an accounting limited to the time **since** the filing of the bill of complaint.

Things Which, "Together With" Use of American Lady, Met With Disapprobation of Court on First Appeal, Not Used "SINCE the Commencement of This Suit."

A reference to the brief of the respondent will show that it is based largely upon the conditions and facts found by the Court of Appeals on the first appeal and which related to the time **prior to** the filing of the bill of complaint. At pages 15 and 16 of its brief in this court it sets out the various acts so found to have existed and which **"together with"** the use of the name "American Lady" induced the Court of Appeals on the first appeal to grant the injunction and accounting. However, a reference to those various items shows that they all relate to a period **prior to** the filing of the bill of complaint and do not relate to the period **"since** the commencement of this suit". On the accounting the complainant did not attempt to show anything except the amount of the defendant's profits on American Lady shoes and it did not attempt to show that **"since** the commencement of this suit" any of the defendant's shoes had been sold "in a manner and under circumstances constituting unfair trade, the essence of the rule being that one person shall not, in the sale of his goods, so act as to lead the public to believe that they are the goods of another" (Rec., p. 409). This was clearly pointed out by the Master at page 41 of his report (Rec., p. 489) where he said:

> **"All the testimony throughout the hearing, as well as the stipulations of the parties, has been directed to the question of profits alone."**

In the main case the complainant offered evidence

relating to the period **prior to** the filing of the bill of complaint which tended to show that the defendant had been guilty of unfair competition in trade. The Court of Appeals (Munger and Van Devanter, Judges) granted an injunction and an accounting "limited to the time **since** the commencement of this suit". On the accounting, as pointed out by the Master, the defendant's proofs were "directed to the question of profits alone" (Rec., p. 489). They did not offer any evidence to show that "since the commencement of this suit" any of the defendant's shoes had been sold "in a manner and under circumstances constituting unfair trade"; that any of the defendant's shoes had been sold **as and for** the shoes of the complainant (Rec., p. 409). The defendant's shoes could not have been sold as and for the shoes of the complainant without damage to the complainant and mere proof that the defendant's shoes had been sold as and for the shoes of the complainant would be proof that the complainant had been damaged.

That there was no evidence that the complainant had suffered any damage, and therefore no evidence that it had lost a single customer by reason of defendant's conduct, was admitted by the complainant in its brief before the Master (Rec., p. 957), it was the finding of the Master (Rec., p. 489), it was the finding of the Circuit Court (Rec., p. 1119; 192 Fed. 935), it was the finding of the Court of Appeals in its prevailing opinion (Rec., p. 1121; 206 Fed. 619), and also the finding of Judge Hook in his dissenting opinion (Rec., p. 1121; 206 Fed. 619).

We respectfully submit that inasmuch as the accounting could only have been for shoes sold by the

defendant "in a manner and under circumstances constituting unfair trade" (Rec., p. 409) "since the commencement of this suit", and inasmuch as the complainant has only introduced proofs "directed to the question of defendant's profits alone" (Rec., p. 489) during that period, and has not proved or attempted to prove that within that period a single pair of defendant's shoes had been sold "in a manner and under circumstances constituting unfair trade," *i. e.*, **as and for** the shoes of complainant, that the complainant has failed to carry the burden of proof which rested upon it and has failed to show that it is entitled to recover on this accounting. It had no right to presume that the facts and circumstances relating to the sale of the defendant's shoes were the same "**since** the commencement of this suit" as they had been **prior to** the filing of the bill of complaint and certainly the Court could not presume that such were the facts in the absence of evidence to establish such facts.

SPECIFIC ACTS OF THE DEFENDANT.

In respondent's brief in this court much space is given to a discussion of things the defendant was charged with having done **prior to** the filing of the bill of complaint. Also to the findings of the Court of Appeals on the first appeal. We have not discussed these matters, because we do not believe that they are pertinent to the issues presented on the accounting, inasmuch as they relate to a condition that existed **prior to** the commencement of the suit—a period of time wholly distinct from the time to which the period of the accounting was expressly limited, "the time **since** the commencement of this suit", and there is no showing

that the facts have been the same **since** the commencement of this suit as they were **prior to** the commencement of this suit. Nor have we discussed the reference in the opinion of the Court of Appeals on the second appeal to the findings of fact by the Court of Appeals on the first appeal, even though on the second appeal the Court of Appeals stated those findings much more strongly against the defendant than they had been found by the Court of Appeals (composed of an entirely different set of judges) on the first appeal. However, inasmuch as these matters have been referred to in respondent's brief, we are compelled to refer to them here and to inform the Court as to the exact facts with reference to them.

The Catch-Phrases.

On the second appeal the Court of Appeals stated that on the first appeal that Court had found that the defendant "adopted" the catch-phrase, "The Shoe Deserves Its Name" (Rec., p. 1117). As a matter of fact, on the first appeal the Court of Appeals found that this alleged catch-phrase had only been used by the defendant in one advertisement and it, therefore, "dismissed it from further consideration" (Rec., p. 407). It is, therefore, clear that the Court of Appeals on the first appeal did not find that the defendant had "adopted" the catch-phrase, "The Shoe Deserves Its Name." As a matter of fact, the record in this case shows that the defendant never did use the words "The Shoe Deserves Its Name" as a catch-phrase. It does show that on one occasion only, in a page advertisement in the Shoe and Leather Gazette of October 22, 1903, in connection with the picture of a young lady

named Grayce Scott, whose picture had been identified with the defendant's American Lady line of shoes, the defendant used the sentence: "She wears the American Lady shoe and says the shoe deserves its name." Beneath this picture, in large type, was printed the words "Made by Hamilton-Brown Shoe Co. —Largest Shoe House in the World." This advertisement, with the picture of Grayce Scott in connection with the sentence, "She wears the American Lady shoe and says the shoe deserves its name," was suggested by the fact that the defendant had presented this young lady with two or three pairs of the American Lady shoes and in a letter of acknowledgment received from her she said that they had chosen "a fitting name for the shoe" (Rec., p. 334, Q. 3; Rec., p. 335, Q. 5 and Q. 9).

At page 15 of the respondent's brief it states that the defendant "afterwards changed the phrase to—'with the character of the woman' ". As a matter of fact, the phrase "with the character of the woman" was not the outgrowth or result of the use of the sentence, "She wears the American Lady shoe and says the shoe deserves its name." The record shows that the defendant conceived the idea "that George and Martha Washington were probably the first representative American man and woman—or at least the best known" and that they decided to identify the pictures of George and Martha Washington with their companion brands of shoes sold under the names "American Gentleman" and "American Lady" (Rec., p. 337). With this idea in mind they distributed, about January 1, 1904, one million copies of a booklet which bore on the cover a picture of George and Martha

Washington dancing the minuet (Rec., pp. 342-3) and accompanied by the following printed matter:

"When the Washingtons danced the minuet
They led the world and social set.
When H. B. built the two great shoes
They led the world as merit does.

American Lady	American Gentleman
for	for
American Ladies.	American Gentlemen.

Keep the Quality UP."

On May 14, 1904, the defendant ordered and upon delivery distributed fifty thousand copies of a large hanger bearing the pictures of George and Martha Washington (Rec., p. 345). This hanger the defendant copyrighted in the United States Patent Office July 13, 1904 (Rec., p. 346). During the fall of 1904 the defendant distributed thirty-five thousand copies of its annual catalogue which bore on the cover thereof "the pictures of George and Martha Washington" (Rec., p. 339).

For the purpose of conveying the impression that the superior qualities which the American people attribute to the Father of Our Country and his wife, as man and woman, were embodied in the companion brands of shoes sold by the defendant under the names American Gentleman and American Lady, the defendant conceived the idea of using in connection with these two brands of shoes and the pictures of George and Martha Washington the phrase "with the character of the individuals" (Rec., pp. 346-7). However, in carrying out this idea the phrase was altered slightly. The first application of this idea of which we are able to find a printed record is in the defendant's advertisement in

the Shoe and Leather Gazette of October 15, 1903, where the defendant reproduced a hanger used in advertising its American Gentleman Shoes and in connection with which it used the expression "A shoe with the character of the man" (Rec., pp. 346-7). This was in the issue of the Shoe and Leather Gazette of October 15, 1903, and before the publication of the advertisement containing the sentence "She wears the American Lady Shoe and says the shoe deserves its name", which appeared in their advertisement in the Shoe and Leather Gazette of October 22, 1903 (Rec., pp. 335-6). The record shows that following this, in the Shoe and Leather Gazette of November 12, 1903, the defendant published a full page advertisement at page 3 thereof, in which appeared prominently the words "We have embodied in the American Lady Shoe the character of the woman." Subsequently the expression was changed to "with the character of the woman". We desire to call attention to the fact that the use of the expression "with the character of the woman" thus resulted from the idea of the defendant, which we have stated above and which was intended to convey the impression that the excellence of George and Martha Washington, "the first representative American man and woman", was embodied in the shoes sold by it under the names "American Gentleman" and "American Lady". Certainly it cannot be said to have resulted from any intention to infringe upon the rights of the complainant for the reason that the expression was changed and without any objection having been made on the part of the complainant. Furthermore, we are unable to conceive of the possibility of the expression "with the character of the woman" ever being mistaken for the plaintiff's expression, "A shoe as good as its name".

Defendant Adopted "the Picture of a Lady" in 1889.

At page 15 of the respondent's brief it states that "in August, 1900, defendant adopted 'the picture of a lady' ". The fact is that the defendant had used pictures of ladies in connection with the sale of its ladies' shoes every year from as early as 1889 down to the time that this suit was filed. Copies of these pictures were identified and offered in evidence (Rec., pp. 332, 318, 319, 320, 321 and 322). The record shows that a great many thousand of these pictures were distributed to the trade throughout the United States each year.

The Picture of George and Martha Washington Dancing the Minuet.

At page 16 of the respondent's brief it states that the defendant placed on the face-cover of the catalogue for 1904 "the picture of George and Martha Washington dancing a minuet." The fact is and it is clearly shown in the record that this picture of George and Martha Washington was first published on the cover of a booklet which is described at pages 342 and 343 of the record and of which one million copies were sent out January 1, 1904. The same picture was published in the "Shoe and Leather Gazette" as a full-page advertisement on January 14, 1904, and again on January 21, 1904 (Rec., p. 343). On May 14, 1904, the defendant ordered from the Gray Lithograph Company of New York fifty thousand copies of a hanger bearing this picture, and they were sent by express to the Hamilton-Brown Shoe Company on August 19, 1904 (Rec., pp. 344-5). The hanger was copyrighted by the Hamilton-Brown Shoe Company July 13, 1904 (Rec., pp. 345-346). On July 6, 1904, the Hamilton-Brown Shoe Com-

pany ordered from the Gray Lithograph Company thirty-five thousand copies of a catalogue cover bearing this picture (Rec., p. 339). The telegrams and other documents proving the above statements conclusively were produced and offered in evidence. The complainant claimed that this picture was an imitation of a catalogue cover issued by them bearing "a representation of Uncle Sam and a lady". However, they do not claim to have issued this catalogue (Complainant's Exhibit No. 3) until the "fall of 1904" (Rec., p. 68; Qs. 54, 55). And yet this same picture had been used by the Hamilton-Brown Shoe Company in its magazine advertising and as a cover for its booklets as early as January, 1904, and more than one million copies of the booklet had been distributed throughout the United States long before Wolf Brothers claim to have circulated their picture of Uncle Sam.

The Numbers 403, 404, 407, 408 and 397.

At page 16 of its brief the respondent refers to the use by the defendant in its catalogue for the fall of 1904 of the numbers 403, 404, 407 and 408, and it stated that "in its fall catalogue for 1905 defendant adopted the numeral 397". On the first appeal the Court of Appeals found that these numerals were used "for the purpose of indicating and designating the different styles of shoes" and that, therefore, they could not "be the subject of a valid trade mark" (Rec., p. 408). These numerals merely designated styles of shoes (Rec., p. 408). They were not descriptive and could not possibly have served any improper purpose. The facts and circumstances in connection with the use of these numbers by the defendant are clearly pointed out at pages 359 to 364 of the record. The record shows that the

gentleman who prepared the defendant's catalogue for the fall of 1904 numbered the various lines of the defendant's shoes in their order, beginning with the men's shoes and using the numbers up to 273; that he then skipped the numbers and began with the boys' shoes at 280, using the numbers up to 332; that he then skipped the numbers to 400 and began numbering the various styles of ladies' shoes with 400 and using the numbers up to 486, the numbers from 400 to 409 being used for the "American Lady" shoes, and the numbers from 410 to 486, inclusive, being used for other lines of ladies' shoes, such as "Own Make", "Picnic", "Sunlight", etc.; that he then skipped the numbers up to 500, where he began numbering the various styles of children's shoes, which ran up to 580; that he then skipped the numbers up to 600, where he began numbering the women's low cut shoes, which used the numbers up to 691. The gentleman who prepared this catalogue, gotten out in the fall of 1904, testified that it was the annual catalogue and that the system of numbering used in it did not allow for the expansion of the business (Rec., p. 362; Q. 50) and did not prove satisfactory, so that when the next annual catalogue (Defendant's Exhibit, 1905 Catalogue, Rec., pp. 362-363) was gotten out in October, 1905 (Rec., p. 362; Q. 51), an entirely different system of numbering "giving each factory a thousand numbers to work with", was adopted and used in that catalogue (Rec., pp. 362-3; Qs. 50-52). However, between the time that one annual catalogue was issued and the time that another annual catalogue was issued the defendant sent out booklets to the trade and in these booklets it was necessary to show the style numbers used in the last annual catalogue to enable the merchants to identify

"the requests of their customers for the American Lady shoes" (Rec., p. 363; Q. 53). In the spring of 1905 some new styles of ladies' shoes were added to the defendant's line and as the numbers from 400 to 409 had been used for the American Lady shoes in the catalogue gotten out in the fall of 1904 and the numbers immediately beneath 400 had been skipped, in order that all of the American Lady styles might be numbered consecutively the new styles were numbered backward from 400, including 399, 398, 397, 396 and 395 (Rec., p. 362; Q. 49). However, as proving that this use of the numbers 397, 403, 404, 407 and 408 was entirely innocent and without advantage to the defendant, we call attention to the fact that without any objection having been made by the complainant the defendant, in October, 1905, **before** "the commencement of this suit", adopted an entirely new system of numbering, giving one thousand numbers to each line of shoes, and it never again used those numbers in this way.

We desire to call these matters to the Court's attention at this time not for the purpose of arguing them but in order that the Court may fully understand the exact facts with regard to these matters which have been referred to at such length in respondent's brief. We do not attempt to argue these matters for we feel that they are entirely immaterial in so far as the issues on the accounting are concerned. They all occurred long **before** the filing of the bill of complaint and while we believe that the defendant is entirely innocent with regard to them, whether it was or not is absolutely immaterial, since the accounting is limited to the time "**since** the commencement of this suit".

ALLEGED ATTEMPT TO CONCEAL FACTS.

At page 25 of the respondent's brief it is charged that the defendant attempted to conceal the fact that it had sold shoes marked only with the name "American Lady" during the period of the accounting, and reference is made to testimony of Warren F. McElroy. As a matter of fact, there was no ttempt to conceal facts on the part of defendant. On the contrary, the defendant was absolutely open and above board in all of its dealings and freely furnished the Master and complainant's counsel with information as to its sales and opened its books, papers, etc., to the inspection and examination of expert accountants employed by the complainant.

The fact that two stipulations were entered into between the parties in this case covering the entire period of the accounting and setting forth in detail all of the facts with reference to the sale of defendant's American Lady shoes during that period, including the various methods of markings employed by the defendant. Those stipulations having been entered into it would seem to be immaterial what statements may have been made by the witnesses with regard to the facts thus agreed upon and embodied in the stipulations between the parties. In its brief the respondent refers to what it designates as "the defendant's attempt to conceal the existence of Class One by false testimony", and it quotes from the testimony of Warren F. McElroy, who was called as a witness on behalf of the plaintiff on this accounting. It also refers to the fact that the Master referred to this testimony in his report and stated that it was established on the hearing before him that this testimony was un-

true. In the light of the stipulations that have been entered into setting forth just how the defendant's shoes were marked and sold we hesitate to take up the time of the court in the discussion of this testimony, but in view of the reference to it in respondent's brief we feel that we must do so in justice to the court and to our client.

In order to fully understand the facts with reference to this testimony the court must consider the circumstances under which the complainant began the taking of its testimony on the accounting, and which were as follows:

Mr. Werner, of complainant's counsel, requested defendant's counsel to produce Mr. A. D. Brown, president of the defendant company, at Mr. Werner's office to testify as a witness on behalf of the complainant on the accounting. Defendant's counsel ascertained that Mr. Brown was then out of the city and would not return until after the time fixed by the complainant to begin the taking of its testimony on the accounting and he informed the complainant's counsel of that fact. Mr. Werner then asked the defendant's counsel to produce Mr. Warren F. McElroy at Mr. Werner's office to testify as a witness on behalf of the complainant on the accounting. Pursuant to that request Mr. McElroy appeared at Mr. Werner's office and was sworn as a witness on behalf of the complainant on the accounting, on January 31, 1910. Mr. McElroy was, therefore, not selected by the defendant or its counsel as a witness who would be qualified to testify with regard to the matters concerning which he was to be interrogated and called upon by the complainant to testify. He was selected by the complainant's counsel without suggestion by the defendant or its counsel

and without the defendant or its counsel having any intimation as to the facts with regard to which he was expected to testify and without any representation on their part that he would be able to testify as to the facts with regard to which he was interrogated. Therefore, the fact that the complainant selected a man who was not informed as to the facts which it desired to develop on the accounting and if, by reason of that fact, the witness thus selected at random failed to correctly detail those facts in his testimony, that is a condition which complainant and its counsel alone are responsible for and which is in no manner chargeable to the defendant. One might think that before going upon a fishing expedition such as was indulged in by the complainant and its counsel in regard to this matter, they would have consulted with defendant or its counsel and ascertained who was best able to testify with regard to the facts which it desired to develop on the accounting and that they would not have selected at random an employe of the defendant who **might**, and then again who **might not,** be able to testify with regard to such facts. The complainant having selected Mr. McElroy from among the employes of the defendant without any intimation by the defendant or its counsel that Mr. McElroy was in possession of such facts as would enable him to answer correctly the questions which they proposed to put to him as a witness, the fact that the witness thus selected happened not to be able to give correct testimony with regard to such matters and if in response to leading questions put to him by the complainant's counsel he gave incorrect testimony with regard to such facts, and such incorrect testimony misled and confused the Master and defendant's counsel, that is something for which

defendant and its counsel are not responsible and which can in no way prejudice or bind the defendant.

Witness "Led" to Misstate Facts by Complainant's Counsel Through Improper Method of Examination Permitted by Master.

Throughout the taking of the complainant's testimony on the accounting complainant's counsel were allowed to put leading questions to its witnesses for the reason, as the Master stated, that "the form of the question is wholly immaterial in an examination of this kind. This is not before a jury" (Rec., p. 660; Rec., p. 667, 327 Q; Rec., p. 664, 297Q.). Very often the witness did not fully understand the question and was led into making an incorrect answer by the questions thus improperly put to him (Rec., p. 669, QQ. 342-3; Rec., p. 689, 528 Q.). In many cases the witnesses clearly indicated that they did not have sufficient knowledge of the facts to enable them to give correct answers to the leading questions put to them (Rec., pp. 685-6, QQ. 477-487), and in many cases the witnesses were permitted to testify from inference only and without having any knowledge of the facts with regard to which they were called upon to testify. For instance, at pages 715-716 of the record (QQ. 784-5) the witness was permitted to testify concerning what he "imagined", and (QQ. 789-790, Rec., p. 716) as to his "best impression".

After Mr. McElroy had been called as a witness in the haphazard manner mentioned, and in reply to the character of questions detailed above, he testified (4 Q., Rec., p. 580; 623 Q., Rec., p. 703; 639 Q., Rec., p. 704), among other things, that he was the general manager

of the manufacturing department of the Hamilton, Brown Shoe Company and (6 Q., Rec., p. 580) had charge of four factories, to-wit, the American Lady, the American Gentleman, the Security and the Union factories. These factories had a capacity output of 28,000 pairs daily (Rec., p. 353, Q. 10). He was then shown a pair of shoes (31 Q., Rec., p. 586) and asked this leading question (33 Q., Rec., p. 587):

> "Do you identify these as the production of your American Lady factory?"

to which he replied: "I do."

Afterward leading questions were put to the witness and he answered them as follows (Rec., p. 589):

> "48 Q. I will ask you, aside from the particular process 'Security Welt', whether the marking as indicated by size, serial number, and the device of the strap with the words indicated, was the uniform method of marking your 'American Lady' shoes from Jan. 29, 1906, to Nov. 15, 1909?
>
> "A. That is indicated somewhere on the shoe; yes, sir.
>
> "49 Q. Not necessarily always on the sole, I take it?
>
> "A. No, sir.
>
> "50 Q. But if not on the sole then on the top facing?
>
> "A. In one of the shoes it appears.
>
> "51 Q. One shoe or the other?
>
> "A. In one of a pair of shoes."

Afterward questions were put to the witness and he answered as follows (Rec., pp. 590-91):

> "58 Q. Have you personal knowledge of the marking of these shoes, whether the device indi-

cated shall go on the sole or elsewhere on the shoe, or did you during the period mentioned?"

To which he answered:

"Personally, I cannot see every shoe, of course.

"59 Q. No.

"A. But it is under my supervision and my orders are supreme.

"61 Q. Now, as to the shoes, what, if any record, have you of the marking on these shoes?

"A. The record of the marking would not show; there would be no record of the marking, further than a general order."

He was then asked if any record was kept of his order with regard to the marking and he replied (Rec., p. 591):

"There is no record of it. The record of it is, that we have never sent out any shoes without the name 'Hamilton, Brown Shoe Company' on them, regardless of what the other name was."

This answer of the witness was quoted by the Master at page 20 of his report (Rec., p. 468) and the Master says of this statement that:

"The testimony, in the course of the hearing of the case, completely established the fact that the foregoing statements were untrue."

The answer of the witness and the comment of the Master are referred to in the respondent's brief as showing an attempt on the part of the defendant to conceal the facts. In this connection it is well to bear in mind that this witness, whom the complainants selected at random in the haphazard manner detailed

above, was (623 Q., Rec., p. 703) general manager of the manufacturing department of the Hamilton-Brown Shoe Company, and (6 Q., Rec., p. 580) had charge of four immense factories of the defendant, to wit, the American Lady, the American Gentleman, the Security and the Union factories, which factories had a daily capacity output of 28,000 pairs of shoes (Rec., p. 353, Q. 10). Therefore he could hardly be expected to carry all of the details as to the business of each of these factories in his mind. The above answer of the witness was given after a long series of leading questions in which counsel practically put the answers in the mouth of the witness, and in that answer the witness was not speaking with regard to the marking on the American Lady shoe particularly, but with regard to what he termed "a general order", which applied to all shoes sold by the Hamilton, Brown Shoe Company, "regardless of what the other name was".

After giving that answer the witness was then asked this question (66 Q., Rec., p. 591):

> "So the Master may fairly take this shoe (indicating shoe marked 'Complainant's Exhibit, Jan. 31, 1910'), so far as its marking is concerned, as showing, whether on the sole of the shoe or elsewhere, the marking adopted to place the name 'Hamilton, Brown Shoe Company' upon it?"

And although this question was objected to by defendant's counsel as calling for a conclusion the Master overruled the objection and permitted the witness to answer, in which answer the witness merely assented to the conclusion embodied in the question thus put. That this objection should have been sustained and that the manner in which the complainant was permit-

ted by the Master to thus examine its own witnesses was highly improper is manifest from a mere reading of the record and is demonstrated by the fact that it induced the witness to assent to statements and inferences embodied in the questions when as a matter of fact the questions did not truthfully or correctly state the facts, and complainant's counsel knew this, thus not only confusing the witness and the record, but also confusing the Master and defendant's counsel.

Witness Not Familiar With Details Regarding Which He Is Made to Answer Leading Questions by Complainant's Counsel.

That the method of examination thus adopted by the complainant's counsel was highly improper is also made manifest by the subsequent examination of the witness McElroy, who, after assenting to the incorrect statements contained in the grossly leading questions put to him by complainant's counsel, almost immediately, in answer to subsequent questions put to him, qualified his statements with regard to the same matter in such a way as to clearly show that he did not, of his own knowledge, know the matters and things which the complainant's counsel was thus inducing him to assent to. For instance, at page 682 of the record, complainant's counsel again asks about this matter of marking in a question reading as follows:

> "438 Q. Generally speaking, is it not true that all your 'American Lady' shoes, manufactured during the period in question, were either marked 'Hamilton-Brown Shoe Company' on the trademark, which we have grown familiar with, on the sole of one or both of each pair of shoes, with a top facing containing the words 'Hamilton-Brown

Shoe Company, Makers'; or with the stamp on the sole or soles of each pair of the trade-mark alone, without the top facing; or with neither of the two identification marks? The shoes have fallen into one of those three classes with respect to marking, have they?"

The answer to this question is found following 441 Q., where the witness states (Rec., p. 682):

"**As far as I have personal knowledge,** that is the condition."

"442 Q. * * * Do you know whether or not there were American Lady shoes manufactured and sold bearing neither of those identification marks?

"A. So far as my personal knowledge goes, there were not."

"443 Q. My question, to put it in another shape, is this: Were there not, during that period, manufactured and sold 'American Lady' shoes on which the name 'Hamilton, Brown Shoe Company' did not appear at all?

"A. I have answered that to my personal knowledge there were not.

"The Master: I will have to ask the witness to explain that answer because to my mind it is subject to two meanings. **I know there is no such shoe manufactured,** but it may be interpreted that so far as you know there were none such manufactured.

"(Previous question read.)

"The Master: I ask you to answer that question so as to indicate whether you mean to say that you know that none such were manufactured or whether there were none such manufactured so far as you know.

"A. That is the point I make; none were manufactured **so far as I know**" (Rec., pp. 682-3).

Again, at pages 735-6 of the record, we find another example of this method of examination, where we find the following questions and answers:

"997 Q. Do I understand you as saying that you have a definite recollection that during the period about which I am inquiring, no shoes were produced on which the name 'Hamilton, Brown Shoe Company' did not appear anywhere on the shoes, and I am talking about American Lady Shoes?"

(Objection made and overruled.)

"A. I have stated that I have no definite knowledge that any shoe went out of our house stamped otherwise.

"998 Q. You mean by that, Mr. McElroy, that they did not?

"A. Is that not plain English? I mean exactly what I say, that I have no definite knowledge that there was—that any shoe marked 'American Lady' went out of our factory stamped otherwise."

Complainant's Counsel Knowingly Misled Witness by Leading Questions.

The unfairness of this examination of the witness is made even more manifest when one considers that in question 996 (Rec., p. 735) complainant's counsel states that he had in his possession at that time a shoe which had nowhere upon it the name "Hamilton, Brown Shoe Company", although even when objection to the question was made and the Master ruled that complainant's counsel should exhibit the shoes to the witness, he evaded the issue and refused to submit the shoes to the witness. Also that in question 194A (Rec., p. 752),

and again in question 198A (Rec., p. 753), complainant's counsel stated that he had 25 styles of "American Lady" shoes on which the name "Hamilton, Brown Shoe Company" nowhere appeared. It appearing that complainant's counsel had such shoes in his possession during the entire examination of the witness, and when by misleading questions he induced the witness to state that no such shoes had been sold, it is entirely clear, we submit, that the examination was not only wholly improper, but that the questions were framed for the purpose and with the intention to mislead the witness and not with the intention or desire to get at the facts which were thus clearly known by complainant's counsel to be contrary to what was indicated by the questions; and the result of this improper, deceptive and misleading examination was not only to confuse the witness, but also to confuse the Master and the defendant's counsel and to greatly and unnecessarily encumber the record.

It must be apparent, therefore, that under the circumstances the Master was not justified in characterizing the statement of the witness quoted by him, and which was made under the circumstances pointed out above, as being "untrue". While the answer of the witness was not strictly correct, it was wholly true so far as the witness' knowledge of the facts was concerned, and whatever of untruth there was in it was brought about deliberately and intentionally by complainant's counsel through the wholly improper method of examination which was permitted by the Master.

Regarding the testimony of Mr. Charles W. Moore, at one time advertising manager of the defendant, in which the respondent quotes him as having testified

that it had been the practice of the Hamilton, Brown Shoe Company to mark every pair of that brand of shoes with the name American Lady and also with the name "Hamilton, Brown Shoe Company", we can only say that a reference to the record will show that Mr. Moore did not make the statement himself, but that he merely assented to a leading question by counsel in which it was asked if that was not the way in which the American Lady shoes were placed on the market, and the previous question (Q. 12, Rec., p. 346) shows that in answering those leading questions he was not testifying positively, for his answer to that question was that "to the best of my recollection they have been put up that way ever since they were first made".

It is, therefore, apparent that the respondent's attempt to show that the defendant attempted to conceal testimony is, indeed, far-fetched, and that in reality nothing of that kind occurred. As a matter of fact when it developed from the testimony of Mr. McElroy that Mr. John T. Johnston was the superintendent of the American Lady factory (Rec., p. 704, 631 Q.; Rec., p. 710, 714 Q.; Rec., p. 730, 948 Q.; Rec., p. 754, 208 Q.) and that he was the person connected with the defendant company who could furnish the information desired by the complainant on this accounting, Mr. Johnston was produced by the defendant and testified as a witness on behalf of the complainant (Rec., p. 757) and it was as a result of the testimony given by Mr. Johnston that the formal stipulations embodying all of the facts inquired about on the accounting were entered into.

CARTONS DO ACCOMPANY SHOES INTO THE HANDS OF THE ULTIMATE PURCHASER.

At pages 27-30 of the respondent's brief reference is made to the carton in which every pair of American Lady shoes manufactured and sold by the defendant during the period of the accounting was sold and delivered by it to its customers, and it quotes the prevailing opinion of the Court of Appeals on the second appeal as holding that the retail dealers remove the shoes from the cartons and do not deliver the cartons with the shoes to customers at retail. In this connection the Court undertakes to state certain facts which it states are matters of "common knowledge". It is not necessary for us to resort to inference and speculation nor are we compelled to depend upon what we may conceive to be a matter of common knowledge with reference to this matter inasmuch as there is clear and convincing proof in the record regarding it. The complainant endeavored to show that it is the custom of the retail dealers to not deliver the carton with the shoes to customers at retail. However, the Master found as a fact that:

> "The testimony introduced by the complainant was not sufficient to establish any usage of trade as to selling or not selling the inclosing carton with the shoe to the ultimate customer" (Rec., p. 516). See petitioner's main brief, page 73, for citation of cases.

As a matter of fact the testimony in the record in regard to this matter clearly and conclusively establishes the fact that when shoes are sold at retail they are sold and delivered to the customer in the carton

of the manufacturer. The testimony of the complainant's own witnesses with regard to a great many purchases of the defendant's American Lady shoes prior to the filing of the bill of complaint, establishes this conclusively. Specific reference to this testimony is made at pages 73-76 and 130-140 of the petitioner's main brief in this court. The only case in which it was found that the shoes were not delivered in the carton was in the case of a special customer of the defendant, The Shoe Mart Company, whose manager testified on behalf of the complainant on the witness stand that the American Lady shoes which it sells "are made specially for you—the Shoe Mart", by the defendant (325 Q., Rec., p. 667). And, although the witness who testified in regard to the Shoe Mart was the complainant's witness and had been with the Shoe Mart from the time it began business, the complainant could not and did not prove that the Shoe Mart ever purchased or sold a single pair of American Lady shoes that did not have the name, Hamilton, Brown Shoe Company plainly stamped on the sole of each shoe.

For a complete analysis of the testimony with regard to this matter we respectfully refer the Court to pages 71-81 and 129-142 of our main brief.

That the Court of Appeals on the first appeal (Munger and Van Devanter, Judges) did not consider the cartons now before the Court or the question as to whether or not shoes sold and delivered in cartons marked as these cartons are marked, with the name "American Lady" associated with the name and word "Hamilton, Brown Shoe Co., Makers", on the end thereof, should be included in the accounting, is, we believe, shown by the following facts: All of the car-

tons that were before the Court on the first appeal were not alike; some of those cartons were marked in one way and some in another. A striking illustration of cartons that were used by the defendant and on which did not appear on the end thereof the name "American Lady" associated with the name "Hamilton, Brown Shoe Co., Makers", is found in the carton marked "Complainant's Exhibit No. 104", the end label of which is reproduced in the record in the form of a photolithograph on page 1381) of the record (the page numbered at the top 233, but which is between pages 138 and 139 of the record). In the case of those cartons the defendant's name did not appear upon the end label of the carton. Therefore, there is a vast distinction between cartons which were before the Court on the first appeal and the cartons in which the stipulations show that every pair of American Lady shoes manufactured and sold by the defendant was delivered by it to its customers during the period of the accounting (Rec., pp. 828, 895-6) and which bore on the end thereof the name "American Lady" associated with the name and words "Hamilton, Brown Shoe Company, Makers".

As further illustrating the effect, on the mind of the Court, of using such cartons, we call attention to the decision of the Circuit Court of Appeals for the Eighth Circuit in the case of Rice-Stix Dry Goods Co. v. Scriven Co., 165 Fed. 639. In that case the majority opinion was written by Judge Munger and concurred in by Judge (now Mr. Justice) Van Devanter, and a dissenting opinion was filed by Judge Sanborn. The decision was rendered November 19, 1908, two days after the decision was rendered in the case at bar. The

Court was composed of the same Judges and it was decided in exactly the same way as was the case at bar.

In the Scriven case the complainant claimed the exclusive right to the use of the words "Elastic Seam Drawers". It charged the defendant with infringement of trade-mark and unfair competition by the use of the name "Elastic Jean" for drawers sold by it. In that case the Court held that the complainant did not have a trade-mark in the words "Elastic Seam". On page 647 of the 165 Fed., the Court refers to the respective marks on the drawers themselves—the markings of the complainant and the markings of the defendant. On neither of those markings did the name of the complainant or the name of the defendant appear. The drawers were sold in cartons, however, on which the name of the complainant on the one hand, and the name of the defendant on the other, did appear. This was held amply sufficient by Judges Munger and Van Devanter, who in that connection referred to the Singer case and quoted therefrom to the effect that the only duty which rested on the defendant was to put its full name on the cartons which contained its "Elastic Jean Drawers", thus distinguishing them from the complainant's "Elastic Seam Drawers". Therefore, the same judges who decided this case in the Court of Appeals on the first appeal, decided the Scriven case two days later, and, expressly following the decision of this Court in the Singer case, held (165 Fed. 647), referring to the fact that the defendant's name appeared on the cartons in which its drawers were sold, that this marking did "sufficiently direct the mind of the trading public to the fact that though the thing is of same" (or a simi-

lar) "name that it is something produced and put upon the market by himself" (the defendant).

In other words, the name of a manufacturer on goods sold by him or on packages containing the goods, is notice to the world that the goods so marked are his product, or made by him, or fathered or guaranteed by him, and are, therefore, not the product of his rival.

NO UNFAIR COMPETITION, ONLY "CONFUSION", FOUND BY COURT OF APPEALS.

At page 32 of the respondent's brief in this Court it is stated that "the Court of Appeals limited the accounting to the period subsequent to the commencement of the suit, although it found that defendant had used plaintiff's trade name illegally for a considerable period prior thereto".

The fact of the matter is that the Court did not find that the defendant had used the plaintiff's trade name illegally—it did not find that the defendant had been guilty of unfair competition in trade. It did find that the complainant had no trade-mark in the words which it sought to monopolize as such. However, notwithstanding the fact that the Court of Appeals held that the plaintiff did not have a trade-mark in the words "The American Girl", it is attempting to so restrict the use of the words "American Lady" by the defendant as to make it impossible for the defendant to use them, and in this way give to the words "The American Girl" the effect of a trade-mark while denying their validity as such. Standard Paint Company v. Trinidad Asphalt Mfg. Co., 220 U. S. 461. The Court did not find that the defendant had been guilty of unfair competition—that any of its "American Lady"

shoes had been sold under the belief that they were "The American Girl" shoes of the complainant—that customers had been deceived into purchasing the defendant's shoes "as and for" the complainant's shoes. All that the Court of Appeals found was that

> "The words 'The American Girl' and 'American Lady' are so similar as to cause **confusion,** and the evidence fully discloses such to have been the result" (Rec., p. 409),

and it therefore held that an injunction should issue to prevent possible deception, the similarity of the names having already caused **"confusion"**. This Court has held in at least two cases that "confusion" alone does not make out a case of unfair competition. In the case of Canal Co. v. Clark, 13 Wall. 327, and again in Howe Scale Co. v. Wyckoff, 198 U. S. 110, 140, where confusion had resulted from the fact that both parties used the same name, this Court said:

> "Purchasers may be mistaken, but they are not deceived."

DECISION OF COURT OF APPEALS FOLLOWED IMMEDIATELY, AND IN GOOD FAITH.

At page 30 of complainant's brief it is stated that after the decision of the Court of Appeals, which was filed November 17, 1908, defendant continued to mark its shoes in flagrant disregard of the decision. With regard to this we call attention to the fact that the decree in this case was not entered until November 15, 1909, and the delay in entering the decree was entirely the fault of the complainant. However, we deny that after the decision of the Court of Appeals of November

17, 1908, the defendant marked its shoes in disregard of that opinion. The fact is that on November 17, 1908, the opinion of the Court of Appeals on the first appeal was handed down, holding that the defendant could only use the name "American Lady" "on condition that they accompanied it with such distinguishing marks or matter as would plainly indicate that it was not being used with its secondary signification: that is as pointing to the complainant as the manufacturer of the shoes to which it was applied". At that time shoes were being sold which did not bear on the shoes themselves any marking except the name American Lady. Immediately upon that decision being rendered the defendant consulted with its counsel and was instructed by him as to the method of "marking of the shoes thereafter" (Rec., p. 918, Q. 95 c; Rec., p. 919, Q. 96 c, answer middle page 920). Upon receiving instructions from its counsel as to the method of "marking its shoes thereafter", under the opinion of the Court of Appeals, the defendant immediately thereafter proceeded to mark each shoe, on the sole thereof, with its full name, Hamilton, Brown Shoe Company, and its belt trade-mark, accompanying the name American Lady—an exact duplicate of this marking stamped on cardboard and marked "Exhibit A" being found at page 433 of the record. This mark is also an exact duplicate of the belt trade-mark with the name Hamilton, Brown Shoe Company thereon, which appears upon the carton end labels shown at pages 433 and 833 of the record and at page 9 of our main brief, excepting that on the shoes the words "American Lady" appeared in the center

of the belt instead of the word "makers" as shown on the end labels.

That this marking, so adopted after instructions from its counsel, was used continuously from and after that date is admitted in the formal stipulations between the parties (Rec., pp. 831, 898), said stipulations showing that every shoe was

> "plainly marked on the sole of each shoe with the belt trade-mark of Hamilton, Brown Shoe Company bearing upon said belt trade-mark the name Hamilton, Brown Shoe Company and in the center of said belt trade-mark the name American Lady."

Furthermore, the record shows that the style of marking used prior to the handing down of that opinion and which did not include the name of the defendant, Hamilton, Brown Shoe Company, was not used after that time. Reference has been made to what has become known as the Hart table, which was adopted by the Master and the complainant and which was reproduced in the Master's report opposite page 548 of the record. In that table the shoes listed in item 19 did not bear thereon the defendant's name or any other marking except the name American Lady. The period of the accounting following the handing down of the opinion of the Court of Appeals is represented in the last two columns in that table—December, 1908, to March, 1910. By following item 19 in that table across it will be found that up to the time that that opinion was handed down (columns 2 and 3) shoes were sold without the defendant's name accompanying the name American Lady, but that thereafter a different style of marking was used and the name, Hamilton, Brown Shoe Company did accompany the name American

Lady on the sole of every shoe in the manner pointed out above.

Surely this shows that the defendant did not "continue to mark its shoes in disregard of the decision", as charged in the respondent's brief. On the other hand, it shows an entire willingness and a determined and thoughtful effort and determination to comply with the decision of the Court of Appeals.

Good Faith of Defendant in Marking Shoes as Directed by Court of Appeals.

That this marking was done in absolute good faith is shown by the fact that as soon as the opinion of the Court of Appeals was handed down the defendant consulted its counsel as to the method of "marking of the shoes thereafter"; that it immediately changed to the method of marking described above; also by the attitude of the defendant at the beginning of the taking of testimony on this accounting. At that time the complainant took the position that this marking on the defendant's shoes was not a sufficient compliance with the decree of the Court of Appeals. On the other hand the defendant contended and asserted in every manner possible that the shoes marked as indicated were marked in accordance with the decision of the Court of Appeals and it objected to the accounting being extended so as to include such shoes. This is clearly shown in the objection following Q. 32 at the bottom of page 586 of the record. This same objection is repeated at the top of page 588 of the record with a request that it be understood that that objection should apply to all questions asked on

the accounting. The objection is repeated at pages 601 and 603 of the record. The Master having ruled (pages 619-624) that under the decision of this Court in the case of Blease v. Garlington, 92 U. S. 1, that it was his duty to receive all of the evidence offered by the complainant, including testimony relating to the shoes marked on the sole with the name Hamilton, Brown Shoe Company, as pointed out above, the defendant requested the Master to certify the question to the Court for a ruling. Upon the Master refusing to do so (Rec., p. 633), at the request of the defendant the Master continued the hearing to enable counsel to apply to the Court for an order directing the Master not to include the shoes so marked in the accounting (Rec., p. 635). The defendant thereupon asked the Court for such an order, at the same time attaching to its motion an exact duplicate of the mark so used on the sole of the American Lady shoes (Rec., p. 641), the motion requesting "that the Master be instructed not to permit this accounting to proceed in respect to any American Lady shoes sold by the defendant since the filing of the bill of complaint in this case, which shoes were marked with the name Hamilton, Brown Shoe Co." (Rec., p. 641). The Court overruled the motion.

In its brief submitted to the Master on this point the defendant suggested that if the position of the complainant with regard to this matter was correct that the defendant was then in contempt of court and it was suggested that in order to have an early decision on this disputed question that the complainant ask for a citation against the defendant for contempt. Again, in the objections made on the record in this case the defendant asserted "that if the Master is right in his conclusion, then, as pointed out by defendant's coun-

sel in his brief submitted to the Master (copies of which were served on plaintiff's counsel), the defendant company is now in contempt of that part of the decree in this case which granted an injunction, although it is the opinion of defendant and defendant's counsel that it has not in any way violated the order of the Court" (Rec., p. 627). We wish to call this matter to the attention of the Court for the purpose of showing that in marking its shoes as indicated the defendant was acting in absolute good faith and entirely within its rights under that decree, as understood by it and its counsel.

Can the same be said for the complainant? The record shows, as pointed out above, that as soon as the decree was entered, after consultation with its counsel, the defendant began to mark every American Lady shoe with its name and belt trade-mark associated with the name American Lady. It further shows that during the following year the defendant sold 752,591 pairs of American Lady shoes, the largest number sold during any period of the accounting. Therefore, the fact that the defendant was marking its shoes in this way must have been known to the complainant and its counsel, and not a word of protest was ever uttered until on January 31, 1910, upon the beginning of the taking of testimony on the accounting, the complainant took the position that this marking did not conform with the ruling of the Court of Appeals. If the complainant had been sincere in its claim that this marking was not sufficient and that the defendant was infringing upon its rights by continuing to mark its American Lady shoes in that way, it could and would have asked for a citation for contempt against the defendant or would at least have protested against the defendant continuing to mark its shoes in that way. Is it really in good faith

in its claim that this marking was insufficient or did it deliberately refrain from protesting against the method of marking thus adopted by the defendant and take the chance that this claim would be upheld and it would then be enabled to require the defendant to account for its profits on the shoes so marked in good faith?

That the defendant was sincere in its efforts to comply with the ruling of the Court of Appeals and that it was willing to do everything necessary to comply with that decision is also shown by this fact: On February 15, 1910, the Master ruled that the shoes so marked were within the scope of the accounting (Rec., p. 619), "that shoes which are stamped upon the soles 'Hamilton, Brown Shoe Co.' on the trade-mark, the belt and buckle, with the words 'American Lady' inside of the oval formed by the belt", are not marked in conformity with the opinion of the Court of Appeals (Rec., p. 624); but that the shoes which bore upon the silk top-facing in association with the words "American Lady", the name "Hamilton, Brown Shoe Co." on the defendant's belt trade-mark, with the word "Makers" inside the belt, were marked in conformity with the ruling of the Court of Appeals (Rec., p. 624). As soon as that ruling was made by the Master the defendant consulted with its counsel and although it was advised that the Master's ruling was erroneous and that under the ruling of the Court of Appeals the marking which had been adopted by the Hamilton, Brown Shoe Company immediately after that ruling had been made conformed to that ruling, nevertheless, "out of an abundance of caution" it was decided that until the Master's ruling was held to be erroneous "the defendant

would affix to the soles of the American Lady shoes the mark which the Master had ruled was a sufficient compliance with the interlocutory decree and the finding of the Court of Appeals, which consisted of the belt trade-mark of the Hamilton, Brown Shoe Company, the name 'Hamilton, Brown Shoe Co.' thereon, and the word 'Makers' within the belt trade-mark" (Rec., pp. 917-918).

DEFENDANT'S ADVERTISING DID NOT VIOLATE DECREE AND HAD PROMINENTLY PRINTED THEREON ITS NAME AND ADDRESS, HAMILTON, BROWN SHOE CO., ST. LOUIS, U. S. A.

At page 33 of the respondent's brief it is stated that after the decision of the Court of Appeals was filed defendant expended more than forty-eight thousand dollars in advertising in violation of the terms of the injunction. This statement would seem to be based upon the fact that in the stipulation dated January 11, 1911, it is stipulated that up to November 15, 1909 (the date of entry of the decree), 50 per cent of the advertising of American Lady shoes, "including catalogue advertising, had prominently associated with the name American Lady and the name 'Hamilton, Brown Shoe Co., St. Louis, U. S. A.,' the words 'with the character of the woman'." For illustrations of this advertising reference is made (Rec., pp. 901-902) to catalogues of the defendant which are in evidence.

In this connection we beg to call the Court's attention to the fact that the annual catalogues are gotten out in the fall of the year and that the annual catalogue for the period from November, 1908, to Novem-

ber, 1909, had been published before the opinion of the Court of Appeals was handed down on November 17, 1908. Also that a great deal of the other advertising which was distributed during that period had been contracted for and probably most of it printed before that opinion was handed down. In addition to all of this, the fact that the expression was identified so closely with the name Hamilton, Brown Shoe Company, St. Louis, U. S. A., shows that it could not have had the effect of prejudicing any of the complainant's rights. Furthermore, the decree was not entered in this case until November 15, 1909, and the stipulation shows that this matter was not published or used after that date.

NO PALMING OFF OF DEFENDANT'S SHOES AS THOSE OF THE PLAINTIFF.

On page 37 of respondent's brief this question is asked: "What difference does it make in respect to the nature of the wrong or the remedy and measure of recovery, by what device the defendant palms off his goods as those of the plaintiff"? But the plaintiff did not palm off its goods as those of the complainant. There is not a word of testimony in the record tending to prove that it did this at any time during the period of the accounting. This court has held that such proof is necessary in order to make out a case of unfair competition. It will not be seriously contended that there is any evidence that "since the commencement of this suit" defendant palmed off its shoes as those of the complainant.

PRESUMPTION RELIED UPON BY PLAINTIFF IN LIEU OF EVIDENCE TO PROVE UNFAIR COMPETITION.

On page 53 of its brief the respondent bases its right of recovery in this case on "the presumption" that the defendant "effected its designed purpose" of selling its shoes as and for the shoes of the plaintiff. It impliedly admits, therefore, that there is no proof of such sales and that it must rely upon a presumption that such sales had been made. In other words, they have failed to prove unfair competition "since the commencement of this suit". They want the court to presume that unfair competition has resulted.

ADMITTED BY COMPLAINANT AND FOUND BY MASTER AND COURT THAT THERE WAS NO PROOF OF DAMAGES.

At page 56 of respondent's brief it questions the statement that there was no evidence that plaintiff had suffered any damage or that it had ever lost a single customer by reason of the defendant's conduct or that this was admitted in the complainant's brief before the Master or that it was found by the Master or the court. We respectfully submit that there was no such evidence and also that this admission was made in the complainant's brief before the Master and it was found to be a fact by the Master and by the courts. If any of the defendant's shoes had been sold as and for the shoes of complainant, mere proof of that fact would have been proof that the complainant had been damaged. In its brief before the Master, which is preserved in the record in this case, the complainant said (Rec., p. 957):

> "The complainant has not attempted to introduce any specific proof as to the amount of its damage."

In his report the Master referred to that statement of the complainant (Rec., p. 483) and said (Rec., p. 489):

> "No testimony has been introduced before me in this case to establish damages since the filing of the bill, as distinguished from profits. **All the testimony throughout the hearing, as well as the stipulations of the parties, has been directed to the question of profits alone.**"

Judge Dyer, at the Circuit, found (Rec., p. 1110) that there is no evidence tending to show that any of the defendant's shoes were ever sold as and for the complainant's shoes or that the complainant "lost a single customer by reason of anything done by the defendant".

In the prevailing opinion of the Court of Appeals it was held (Rec., p. 1121) that **"no special damages apart from profits are shown"**.

In his dissenting opinion, Judge Hook pointed out (Rec., p. 1121) that **"the plaintiff offered no proof of damage"**.

Surely this shows that there was no evidence that the plaintiff had suffered any damage or that it ever lost a single customer by reason of the defendant's conduct, and that this fact was admitted in the complainant's brief before the Master and was found to be a fact by the Master and by the court.

The respondent then states (p. 56) that "loss of customers is shown", and at page 57 it quotes the

testimony of Allie Friedman, a customer of the complainant company, who testified that a lady came into his store and showed him a pair of American Lady shoes and asked him to fix the buttons on them. That he asked her if she got the shoes there and she replied, "Yes; I gave my sister the money and told her to buy me a pair of American Girl shoes". That when he told her that she did not get them, she insisted that she did get them there and when he called her attention to the fact that she had the American Lady shoe while he sold the American Girl shoe, she said that she did not know the difference. This testimony was objected to as hearsay (Rec., pp. 7-8). We respectfully submit that it does not show that the lady's sister, who purchased the pair of shoes in question, purchased them as and for the American Girl shoes. So far as the record shows she might have been fully aware of the fact that she was purchasing a pair of American Lady shoes and have preferred those shoes. If the complainant proposed to rely upon this testimony it should have produced this lady and allowed her to recite her story on the witness stand and under oath, with an opportunity for the defendant to cross-examine her. Are we going to take Allie Friedman's statement as to what a woman told him that she had told somebody else to do for the purpose of supplying evidence as to the manner in which this pair of shoes was sold? Is not the defendant entitled to legal and competent proof of the transaction relied upon as showing unfair competition? Certainly, no lawyer will contend that this is legal or competent evidence of the transaction in which this lady's sister purchased the pair of shoes in question.

The respondent then cites at pages 58 and 59 of its

brief two instances in which private detectives employed by it visited retail stores in which the shoes of the defendant were sold.

They cite a case in which the complainant's detectives, Mrs. Victoria B. Ryan and Miss Ives, purchased a pair of American Lady shoes, which were plainly marked with the name Hamilton, Brown Shoe Co., at Peru, Indiana. Mrs. Ryan testified that when she asked for the American Girl shoe the dealer showed her the American Lady shoe and told her it was "the same thing, made by the same people"; that (Rec., p. 86, XQ. 1) she knew that the shoes were manufactured by the Hamilton, Brown Shoe Company of St. Louis and that none of the dealers of whom she purchased shoes represented the shoes as being made by the Wolf Brothers and Company; that the shoes were all branded with the name "American Lady" and with the name "Hamilton, Brown Shoe Co.", and that she was employed by the Wolf Brothers and Company to make these purchases. This pair of shoes was plainly marked with the name Hamilton, Brown Shoe Co. and was delivered to the witness in one of the original American Lady shoe cartons which bore upon the lid thereof, associated with the picture of Grayce Scott, the words "Hamilton, Brown Shoe Company's American Lady" and on the end thereof the name "American Lady" in association with the name and word "Hamilton, Brown Shoe Co., Makers".

There is also cited at page 59 of the respondent's brief the case of the purchase of a pair of shoes by the complainant's detectives at the store of John P. Corey, Springfield, Illinois. However, in the reference to that case, the respondent refrains from quoting all of its

detective witness' testimony with regard to this purchase. The witness testified (Rec., p. 84, Q. 15) that she asked for a pair of American Girl shoes and the clerk showed her a pair of American Lady shoes and that he said it was "made by Hamilton, Brown Shoe Company, St. Louis, Mo." This pair of shoes was plainly marked with the name Hamilton, Brown Shoe Co. and was also delivered to the detectives in one of the original American Lady cartons with the words "Hamilton, Brown Shoe Company's American Lady", associated with the picture of Grayce Scott, on the lid and the name "American Lady", associated with the name and word, "Hamilton, Brown Shoe Company, Makers", on the end thereof.

At page 60 the respondent refers to the Shoe Mart Company and its practice of discarding the cartons. However, this is the only customer of the defendant that was found, although respondent's detectives traveled all over Michigan, Ohio, Indiana, Illinois and Missouri, visiting retail merchants who handled defendant's shoes, who did not sell the shoes in the original cartons bearing on the lid thereof the name "Hamilton, Brown Shoe Company's American Lady" and on the end the name "American Lady" in association with the name and word "Hamilton, Brown Shoe Company, Makers".

Furthermore, the Shoe Mart Company was a special customer of the defendant and the complainant's own witness testified (Rec., p. 667, Q. 325) that the American Lady shoes which it handles are made especially for it by the defendant. And, although the witness who testified in regard to the Shoe Mart was the complainant's witness and had been with the Shoe Mart

from the time it began business, the complainant could not and did not prove that the Shoe Mart ever purchased or sold a single pair of American Lady shoes that did not have the name Hamilton, Brown Shoe Company plainly stamped on the sole of each shoe.

It is true that James J. Wolf expressed the opinion (Rec., p. 78, XQ. 23) that, although the complainant's sales had increased ten per cent each year over the year preceding (Rec., p. 78, Q. 22), if it had not been for the competition of the American Lady shoes that their sales of American Girl shoes would have increased more rapidly than they did. However, this testimony was objected to as being a mere conclusion and expression of opinion, and although throughout the examination of witnesses the defendant objected to such testimony on the ground that the books and records of complainant company would be the best evidence (Rec., p. 61, Q. 26; Rec., p. 67, Q. 52) and demanded that the books and records of the company relating to this matter be produced, the books and records were never produced at any time for the purpose of showing the amount or condition of the complainant's business or the comparative loss or gain in the amount of its sales, or for any other purpose.

We submit, therefore, that this testimony and the opinion of the complainant's witnesses could not be relied upon for the purpose of proving these facts, and, therefore, the statement at the bottom of page 61 of the respondent's brief that it is shown beyond dispute that plaintiff's output was affected by the sale of defendant's shoes is absolutely without foundation on this record.

NO TRADE-MARK.

Between pages 62 and 68 of its brief respondent discusses the question as to the validity of the alleged trade-mark, "The American Girl". This question was disposed of finally by the United States Circuit Court of Appeals on the first appeal in an opinion written by Judge Munger and concurred in by Judge (now Mr. Justice) Van Devanter, and this Court having refused to review that decision on the complainant's petition for a writ of *certiorari* (Rec., p. 611; 214 U. S. 514), that question is closed. The only questions that are presented and open for review at this time are the questions that were before the Court of Appeals on the second appeal. For this reason we shall not undertake to discuss this question which is presented by respondent's brief and which was finally and correctly settled by the decision of Judges Munger and Van Devanter for the Court of Appeals on the first appeal.

ADVERTISING, INTEREST ON CAPITAL, ETC., WERE PART OF COST OF MANUFACTURING "AMERICAN LADY" SHOES AND SHOULD BE DEDUCTED IN DETERMINING THE DEFENDANT'S PROFITS.

We observe that the respondent does not undertake to answer our brief with regard to the failure of the Master to allow the items of advertising, interest on capital, etc., in diminution of the defendant's profits as pointed out between pages 81 and 127 of our main brief in this court. We respectfully refer the Court to what is there said with regard to these items and we invite careful attention to these items. As shown in

our brief at page 82, these items total $288,330.89, or, approximately, 65 per cent of the total amount of the judgment recommended by the Master. Of this amount $186,278.68 is represented by advertising alone. The stipulations in this case show that during the period of the accounting the defendant expended $331,278.00 (Items 8 and 9, Rec., p. 549) on account of advertising which referred exclusively to the American Lady shoe (Rec., p. 901). The Master held that because the defendant manufactured other brands of shoes that the expense of this advertising would have to be equally divided among all of the brands, even though this advertising did not relate to those other brands and they derived absolutely no benefit from it. During the period of the accounting the defendant expended in all $825,194.98 on account of advertising (Item 7, Rec., p. 549). Of that amount, $331,278.00 "had reference exclusively to the American Lady shoes", as shown by the written stipulations of the parties (Rec., p. 901). Deducting from the $331,278.00 of advertising which "had reference exclusively to the American Lady shoes", that proportion of this amount which was represented by the American Lady shoes marked "Hamilton, Brown Shoe Co., Makers," and for which the Master and the Court of Appeals held that the defendant did not have to account, leaves a balance of $257,826.60. The Master has allowed in diminution of the defendant's profits on American Lady shoes only that proportion of the total amount of advertising that "had reference exclusively to the American Lady shoes" which the sales of the American Lady shoes bore to the total sales of all other shoes, amounting to $71,547.92, which is $186,278.68 less than that proportion of the amount which the defendant expended in

advertising which had reference exclusively to the American Lady shoes for which the Master held the defendant must account.

Of what difference is it that the defendant made one brand of shoes or a dozen brands of shoes if all or a specific part of the money which the defendant expended on account of advertising "had reference exclusively to" a particular line of shoes? If money was expended in advertising which had reference exclusively to a particular line of shoes, then the manufacture and sale of that line of shoes cost the defendant that amount of advertising and the manufacture and sale of another line of shoes did not cost the defendant any part of the advertising which had reference to that particular line of shoes. Let us suppose that this accounting related to that brand of the defendant's shoes called "Country Club" (Rec., p. 353, Q. 9). Would it be fair in determining the profits on the "Country Club" shoe to deduct the expense of advertising which referred exclusively to the American Lady shoe? If Wolf Brothers were entitled to profits on the Country Club shoe would they be willing to deduct in diminution of the profits thereon the expense of advertising which referred exclusively to the American Lady shoes and which did not refer to the Country Club shoe and as a result of which the Country Club shoes received no benefit whatever? Certainly this expense must go somewhere. It ought not to go to the other lines because it was not incurred in their interest or in their behalf. It was incurred solely and entirely in the interest of the American Lady shoes; no other brand was mentioned in that advertising or derived any benefit from it. It was a part of the expense of manufacturing and selling the American Lady shoe and none other.

As a result of this advertising the sales increased steadily during the period of the account and in 1909 the sales amounted to 752,591 pairs as against 579,187 pairs in 1908, or a net gain in one year of thirty-three and one-third per cent, and during the three months of the year 1910 shown in the accounting the sales show an increase over a similar period of the year 1909 (Item 1, Rec., p. 549). It would seem absurd for the complainants to claim the profit on the shoes sold under a particular name and then not deduct in diminution of such profits all of the items that entered into the cost of manufacturing and selling those shoes and for them to claim the increased profits resulting from increased sales and to not deduct the expense of the advertising which brought about that increase. This amount was expended in advertising which had reference exclusively to the American Lady line of shoes. That fact is stipulated in the record and it is absolutely undisputed. We respectfully refer the Court to what is said in regard to this matter in our main brief, and we submit that this item should be deducted in diminution of the defendant's profits.

With regard to the other items, we are just as firmly convinced that they should be deducted. One of those items amounts to $63,363.45, and while the other items are smaller, nevertheless they amount to, approximately, $40,000. We do not wish to extend this brief to discuss those items separately, but we respectfully refer the Court to what is said with regard to them in our main brief between pages 81 and 127. It is only because of our desire to shorten this brief as much as possible that we do not refer to them more at length at this time and that we therefore refer the Court to our main brief, where they are discussed.

ALLEGED SALES AMONG NEGROES AND ILLITERATE WHITES BY COMPLAINANT.

In the opinion of the Court of Appeals, much has been said in regard to the claim on the part of the complainant that in its business the American Girl shoes have been sold more largely in the Southern States than in any other territory and that the negroes and illiterate whites in that territory were likely to be deceived by the use of the name "American Lady." We expect that the complainants will refer to this matter in their argument, and for that reason we desire to call attention to the facts as shown on the record regarding this claim. A reference to the record will show that this claim in regard to the complainant's sales being largely in the South was not made when they were making out their case in chief. James J. Wolf, treasurer and vice-president of complainant company, testified (Rec., p. 56, Q. 4) that since the establishment of their business the shoes branded "The American Girl" had been sold "throughout the United States in general," with the possible exception of Nevada and Arizona, and also in foreign countries. He did not attempt to localize their trade or any part of it. In taking the defendant's testimony it was shown that the use of the name "American Lady" by the defendant was first suggested by "Mr. H. S. Bunting, who had **just been engaged** by us to represent us in Texas" (Rec., p. 312, Q. 4). As soon as this testimony was given the complainant sought to show that Mr. Bunting must have had a knowledge of the use of the name "The American Girl" by them, for it immediately took the position and asserted that its business was largely in the South, among the negroes and illiterate whites,

and it succeeded in conveying that impression to the Court of Appeals on the first appeal (Rec., p. 410).

It will be observed that in his testimony in the case in chief James J. Wolf did not attempt to localize any part of the complainant's trade and that he attempted to convey the impression that this trade was "general" through the United States, and even in foreign countries; in fact, he testified that the trade extended "throughout the United States in general" and in foreign countries (Rec., p. 59, Q. 19). However, after it had developed that the name American Lady for use by the defendant had been suggested by the gentleman who "**had just been engaged**" to travel for the defendant in Texas, Mr. James J. Wolf was recalled as a witness on behalf of complainant in rebuttal, and he then testified that he had traveled in the South and at times had assisted his customers in waiting on the trade, and "my experience acquainted me with the fact of the illiteracy of the poorer whites and negroes among the consumers purchasing from such customers or prospective customers" (Rec., p. 112, Q. 4), and, in answer to Question 10 (Rec., pp. 113-4), he testified that seventy-five per cent of the complainant's trade in the sale of "The American Girl" shoe was "in the States South of the Ohio River."

In his testimony in making out the complainant's case in chief, James J. Wolf testified December 29, 1906 (Rec., p. 56), that his company had been manufacturing and selling American Girl shoes since May 11, 1898 (Rec., p. 58, Q. 14), and that in the eight years and eight months that elapsed between that date and the date on which he gave his testimony its total sales of American Girl shoes had amounted to "two and

a quarter million dollars" (Rec., p. 61, Q. 26). Therefore, the complainant's sales of American Girl shoes during the nearly nine years it had been engaged in the business at the time this testimony was given had approximated $250,000.00 each year. On that same day James J. Wolf also testified that the complainant's trade in the State of Illinois amounted to "approximately $50,000.00 a year" (Rec., p. 72, Q. 70). Therefore, twenty per cent of its trade, or $50,000.00 out of a total of $250,000.00, was in the State of Illinois. Although in his testimony in making out the case in chief Mr. James J. Wolf had testified that the defendant's shoes were sold "throughout the United States in general" and in foreign countries (Rec., p. 59), yet he undertakes to make the Court believe when called as a witness on behalf of the complainant in rebuttal that seventy-five per cent of the complainant's entire sales of The American Girl shoes are "in the States South of the Ohio River", so that with twenty per cent of the sales confined to Illinois and seventy-five per cent to the territory south of the Ohio River, only five per cent is left to cover all of the rest of the United States and foreign countries, excepting only Nevada and Arizona. This five per cent of its total sales of $250,000.00 would amount to but $12,500.00, although the testimony in this case shows that the complainant maintained traveling salesmen throughout the other parts of the United States, particularly Ohio, Pennsylvania, Indiana, Illinois, Iowa, Nebraska, Kansas, Missouri, Michigan, Wisconsin, Minnesota, South Dakota, North Dakota and "the Northwest" (Rec., p. 13, Q. 2; Rec., p. 18, Q. 2; Rec., p. 28, Q. 2; Rec., p. 32, Q. 2 and Q. 5).

In its opinion on the second appeal the Court of Appeals incorrectly stated the amount as being $250,000

We respectfully submit that Mr. James J. Wolf's

testimony in this regard is not worth the paper upon which it is written; that he is too ready to adapt his testimony to the theory of his case and that the testimoney given by him as a part of the complainant's proofs in rebuttal and in which he testified that the complainant's sales were largely in the South is shown to be inconsistent with his former testimony and absolutely unworthy of credence.

In addition to the testimony of Mr. James J. Wolf in regard to the complainant's business being largely in the South, the complainants sought to bolster this theory by producing Mr. Samuel B. Wolf, the president of the complainant company (Rec., p. 36, Q. 1), to testify in regard to this matter on rebuttal. Mr. Samuel B. Wolf testified with regard to the large proportion of complainant's sales being in the South and the likelihood of the negroes and illiterate whites purchasing the defendant's shoes as and for their shoes. However, Mr. Samuel B. Wolf's memory seems to be about as short or convenient as that of Mr. James J. Wolf, for when he testified as a witness on behalf of the complainant in its case in chief, he testified (Rec., p. 40, Q. 12) that no facts had come to his knowledge indicating confusion in the minds of the trade between the American Girl shoe and the American Lady shoe except such as had been stated to him by traveling salesmen.

We respectfully submit that this theory is far-fetched and unwarranted, not only by the fact that, as shown by the testimony of James J. Wolf in the complainant's case in chief, it is not true that complainant's sales are largely in the South, but also by the fact that the similarity of the names would not cause confusion among illiterate people. When complainant

sought to gain an advantage by showing that it had an extensive business in Illinois, it readily credited to that State twenty per cent of its entire business, and then, when it sought to gain an advantage by showing that its business was largely in the South, with equal readiness it credited seventy-five per cent of its entire business to the Southern States. The result was that there was not enough business to go around, inasmuch as it had already proven that its business extended throughout the United States in general and to foreign countries. It is the law of this case that the defendant may use the name American Lady as applied to shoes. If the negroes and poorer white people of the South are illiterate, then the fact that the defendant used the name American Lady with or without accompanying matter would not help or hinder them in distinguishing the shoes. We merely suggest this, but we believe the record justifies the statement that the claim that the complainant's business was largely in the South is not warranted by the facts.

CASES CITED IN RESPONDENT'S BRIEF.

We have not undertaken to discuss the cases cited in the respondent's brief up to this time. We now desire to take those cases up with a view to analyzing them in the light of the facts in the case at bar.

Singer Mfg. Co. v. June Mfg. Co.

The first case cited by the complainant is the case of Singer Manufacturing Co. v. June Manufacturing Co., 163 U. S. 169. The Singer case is also cited at pages 30, 37, 38, 41 and 44 of respondent's brief.

In that case the complainant was the manufacturer

of sewing machines sold under the name "Singer". That company made and introduced the first practical sewing machine (163 U. S. 171). The principal patent covering this machine expired about 1876, and immediately competitors of the Singer Company adopted the type of machine formerly protected by that patent and which had been advertised and become known in the trade by the name "Singer". The Singer Manufacturing Company adopted a trade-mark consisting of the fanciful letter "S" used in connection with the name "The Singer Mfg. Company" and the words "Trade Mark". This trade-mark was stamped on an oval brass plate and attached to the arm of the machine. In 1879 this trade-mark was cast on the side of the legs of the stand of each machine (Rec., p. 174). The defendant began to manufacture sewing machines of the Singer type under the name of the Standard Mfg. Company, which was later changed to the June Mfg. Co. It attached to the arm of its machine an oval brass plate of exactly the same shape as the one attached to the Singer Company's machine and upon this plate was stamped the words "Improved Singer", with the word "Chicago" at the bottom and the letters "S. Mfg. Co." with the words "Trade Mark" at the top of the plate. After the company's name was changed from the Standard Manufacturing Company to the June Manufacturing Company it continued to use the same plates with the letters "S. M. Co." thereon, although subsequently the letters "S. M. Co." were changed to "J. M. Co." and the words "J. Mfg. Co." were placed beneath the monogram. On both of these plates the defendant cast the words "Improved Singer" in large type. On the legs of the stand of its machine, in the

same relative position as the trade-mark on the legs of the stand of the machine of the Singer Company, the defendant cast a device consisting of the word "Singer" alone, in very large letters, with the letters "I. S." in monogram form above this word "Singer" and the words "J. Mfg. Co." in smaller letters underneath (Rec., pp. 176-7). The Singer Company used a tension screw upon the top of the brass plate of its machines which was protected by patent, and in precisely the same position upon its machines the defendant placed a "dummy" screw which performed no mechanical function (Rec., p. 177). This Court held that the name "Singer" had become the generic designation of the type of machine to which it had been applied by the Singer Company during the life of the patent and that, therefore, the name became descriptive of the type of machine (Rec., p. 183), so that, with the expiration of the patent, the right to use the name also became public. This Court held, however, that the right of the public to use this name imposed the duty "on the one using it to adopt such precautions as will protect the property of others and prevent injury to the public interests" (Rec., p. 186).

This Court held:

> "that the system of marking pursued by the defendant had the purpose of enabling the machines to be sold to the general public as machines made by the Singer Company. The shape of the plate, its material, the position in which it was placed upon the machines, its size, its color, the prominence given to the words 'Improved Singer'; all could have conveyed but one impression to one not entirely familiar with the exact details of the device upon the Singer Company's plates, and that

is that the machine was one coming from the factory of the Singer Company. So, in the second (the device cast in the legs of the stand), the word 'Singer' alone without any qualification is there found in full relief, and above this the letters 'I. S.' and in small letters 'J. Mf'g. Co.' The similarity between the letter 'J' and the letter 'S', the failure to state in full the name of the manufacturer, the general resemblance to the device of the Singer Company, the place where it was put, which had no necessary connection with the structure or working capacity of the machine, and the prominence of the placing of the word 'Singer' in comparison with the other mark, bring out in the plainest way the purpose of suppressing knowledge of the actual manufacturer and suggesting that it was made by the Singer Company."

The Court then pointed out that it was significant of the fraudulent purpose of the defendant that the device which the Singer Company cast on the legs of its machines was immediately imitated by the defendant, although it had no necessary connection with the right to make machines of the Singer type and to call and sell them as Singer machines. Also to the fact that the defendant added to the numbers of its machines three figures so as to make the numbers run into the millions and thereby conveying the impression that the machine was made by a concern that had been in business a long time and which must therefore have been the Singer Company. Also that the defendant had placed a "dummy" screw on its machines in the same position as the Singer Company's patent tension for the purpose of giving the machines the same appearance and conveying the impression that they were

the same machine. The Court, therefore, ordered a decree against the defendant enjoining it from using the word "Singer" without "clearly and unmistakably specifying in connection therewith that such machines were the **product** of the defendant", also directing an accounting by the defendant as to "any profits which may have been realized by it **because of** the wrongful acts by it committed" (Rec., p. 204).

It will be observed that the Singer case is not an analogous case with the case at bar. In that case the defendant resorted to every means possible to mislead the public and create the impression that its machines were the machines of the plaintiff. Nowhere on or in connection with its machine had it ever used its full name, June Manufacturing Company, and the plate which it used in applying the name "Singer" to its machine was the same in size, shape and color as the Singer plate, and it was placed on the machine in the same position. Furthermore, in the device cast in the legs it used in connection with the word "Singer" the letters "I. S.", which were the initials of the originator of the Singer Machine; it also used the initials of the Singer Company, "S. M. Co.", and when it changed from the Standard Manufacturing Company to the June Manufacturing Co. it continued to use the initials "S. Mfg. Co." for some time thereafter, and even when it changed the letter "S" to "J" the similarity between the two letters was so great as not to be readily distinguishable; the device cast in the legs of the machine was in imitation of the device cast in the legs of the Singer machine; the numbering of the machines was in imitation of the numbering of the Singer machine and the "dummy" tension screw could

not possibly serve any purpose except to lead the public to believe that the defendant's machine was the machine of the complainant. In this case no such artifice was resorted to.

Furthermore, the decision in the Singer case will not bear the construction which the complainant undertakes to place upon it. The complainant undertakes to say that the defendant must specify in connection with the name "American Lady" that the shoe is manufactured by the Hamilton, Brown Shoe Company, and is not manufactured by the Wolf Brothers and Company. In the Singer case this Court did not hold that the defendant must specify that the sewing machines sold by it were manufactured by the defendant, and not by the Singer Manufacturing Company. What it did require was that it should be specified in connection with the name "Singer" that "such machines are the **product** of the defendant". This would indicate that the Court had in mind to require the defendant to specify clearly and unmistakably the source from which the sewing machines sold by it under the name "Singer" emanated. Not necessarily that the defendant actually constructed the machine, but that the purchasing public might know from whom the machine emanated and who it could look to for the character and quality of the machine. As showing the attitude of the Court with regard to this matter, we point out that this Court, in that opinion, stated (Rec., p. 186) that it was the duty of a new dealer using the name Singer to "adopt such precautions as will protect the property of others and prevent injury to the public interests." In this case the defendant printed the name of the manufacturer—its own name—on two-thirds of all of the shoes manu-

factured and sold by it, and each and every pair of American Lady shoes was delivered by it to its customers in a convenient single-pair carton which bore on the lid thereof in prominent letters the words "Hamilton, Brown Shoe Co.'s American Lady" and on the end thereof, in association with the name "American Lady", the words "Hamilton, Brown Shoe Co., Makers." Of course, sewing machines are not sold in cartons and, therefore, in the Singer case it was required that the defendant's name be placed upon the machine. In this case, where a convenient and handy wrapper in which the shoes might be sold and delivered to the customers was provided by the defendant in the form of a carton, the defendant's name was clearly and prominently printed upon the carton in two places; and after the opinion of the Court of Appeals was handed down on November 17, 1908, the defendant's name was also printed prominently on the sole of each shoe. That decision of this Court in the Singer case must be construed in the light of the other decisions of this Court handed down since that case was decided, and so construed it is plain that this Court did not intend that the defendant should be required to state in connection with the name that the article to which it was applied was manufactured by the defendant and was not manufactured by the complainant, but that what it did intend to require was that the defendant must plainly indicate the source from which its shoes emanated, and this it did by printing its full name on the cartons and also, after that decision, on the sole of each shoe.

In the case of Elgin National Watch Co. v. Illinois Watch Company, 179 U. S. 665, this Court held that in a case in which the name in question had been used

fraudulently it would be sufficient if the defendant confined its use of the name "to its primary sense by such limitations as will prevent misapprehension on the question of its origin."

In the case of Howe Scale Company v. Wyckoff, 198 U. S. 118, cited and relied upon in the opinion of the Court of Appeals on the first appeal, and in the light of which that opinion must be construed, the complainant sought to monopolize the use of a generic name as applied to typewriters. In its opinion, this Court pointed out that "the use of two distinct surnames (being the name of defendant) clearly differentiates the machines of the defendant from those of the complainant". The defendant did not specify that its typewriters were manufactured by it and not by the complainant, and this Court did not require it to do so.

In the case of Standard Paint Co. v. Trinidad Asphalt Mfg. Co., 220 U. S. 461, the complainant charged the defendant with unfair competition by the use of a word which this Court held did not constitute a valid trade-mark and which, therefore, both parties had a right to use. In that case the name of the defendant was merely printed on the labels and wrappers containing its product. It did not specify that the goods were manufactured by the complainant. This Court held that the defendant did not use the word in such a way as to interfere with the rights of the complainant and it denied the injunction.

This Singer case is also of interest in that it proves that the complainant's contention that it is entitled to all of the profits made by the defendant on American Lady shoes is absolutely without foundation. We pointed out above that in the Singer case the defendant was found to have simulated the complainant's article in a great many ways and that it had even resorted to

"dummy" attachments on its machines in order to create the impression that they were the machines of complainant, and yet this Court did not require the defendant to account for **all** of the profits made by it on the machines in question. Even in that flagrant case of fraudulent marking, this Court only required the defendant to account for "profits which may have been realized by it **because of** the wrongful acts by it committed"—not all profits, but only the profits realized by means of—**because of**—wrongful acts of which it was found guilty. This would leave it for the co plainant to prove what part, if any, of its profits had been made **"because of"** the acts which this Court held to be "wrongful".

At page 29 of respondent's brief, as part of a quotation from the opinion of the Court of Appeals on the second appeal, a number of cases are cited in support of the proposition that the question is not whether the retail dealer would be deceived, but whether the goods have been put on the market in such a way that the ultimate purchaser will be deceived. Of course, those cases have no application to the facts in this case for the reason that, as clearly pointed out in this brief and in the petitioner's main brief, the defendant did not mark its shoes in such a way as to deceive the ultimate purchaser, and there was no proof that any purchasers had ever been deceived. In deciding this case in the lower court, Judge Dyer, in speaking of this same contention, said (Rec., p. 1110):

> "It was contended that the defendant made it possible for its customers to offer for sale and sell defendant's manufacture as and for the manufacture of complainant. If all of this were con-

ceded how was it possible for the complainant to be damaged, unless some one availed himself of such an opportunity?''

As pointed out by Judge Dyer in that opinion, and also in our briefs in this court, there was positively no evidence that any of the defendant's shoes had ever been sold as and for the complainant's shoes, and, therefore, no evidence that any of the ultimate purchasers had ever been deceived.

George G. Fox Co. v. Hathaway.

At pages 31 and 32 of the respondent's brief it cites the case of George G. Fox Co. v. Hathaway, 199 Mass. 99. In that case the defendant had adopted a peculiar shape or design for the loaves of bread manufactured by it. This design was not protected by a design patent. The defendant adopted the same peculiar design for its loaves and this was the only simulation of the characteristics of the complainant's product. Notwithstanding the fact that the complainant had not secured a design patent for its loaves, the Court held that defendant had infringed upon the complainant's rights. The defendant used a band which was loosely attached to its loaves, but which might be easily removed from the loaves, and the Court held, therefore, that it did not relieve the defendant from the charge of infringement. It will be observed that that was the decision of a State court and not a Federal court. The correctness of that decision may very well be doubted in view of the fact that nothing was involved except the protection of the design of the complainant's loaves and no design patent had ever been applied for or granted.

Regis v. Jaynes & Co.

At page 33 of its brief respondent cites the case of Regis v. Jaynes & Co., 191 Mass. 245-249, in support of the proposition that the plaintiff is entitled to recover the defendant's profits. However, that case of Regis v. Jaynes was not a case based upon unfair competition in trade, and it is, therefore, not in point here. That was a case of strict trade-mark. In that case the complainant was found to have a trade-mark in and, therefore, the exclusive right to the fanciful and arbitrary name "Rex" as applied to boxes containing complainant's dyspepsia tablets. The Court found that the complainant was the owner of the trade-mark and that the defendant had infringed thereon. Therefore, as pointed out in our main brief, that case can have no application to the facts in the case at bar. The Court of Appeals in this case has expressly held that the complainant did not have a trade-mark in the words "The American Girl" and consequently no exclusive right to its use. In the Regis v. Jaynes case the Court expressly held that the complainant did have a trade-mark in the name in question.

In this connection we desire to call attention to the fact that the respondent's brief is well calculated to mislead the Court inasmuch as in that brief the respondent cites and relies upon the decisions in certain State and English cases which confuse the rule applicable to a case of a strict trade-mark with the rule applicable to a case based upon unfair competition. As pointed out in our main brief, the infringement of a trade-mark involves the invasion of a property right. In such a case the complainant has the exclusive right to the name and no other person has a right to use

that name under any circumstances as applied to the same class of goods. In such a case, as in the case of a patent, the use of the defendant's name in the vending of the defendant's article amounts to a use of the complainant's property and profits may be recovered on the principle of the cases requiring a trustee to account for profits realized from the wrongful use of trust property. However, in a case based on unfair competition and in which no exclusive right is involved, the principle of the patent and trade-mark cases does not apply. In such a case the complainant would not be entitled to recover all profits made by the defendant, but only such damages as resulted from actual unfair competition in trade, *i. e.*, the sale of the defendant's goods as and for the goods of the complainant. In this connection we desire to call the Court's attention to a review and criticism of this case of Regis v. Jaynes, which appeared in the Harvard Law Review of June, 1907, Vol. XX, No. 8, between pages 620 and 633. This article is reproduced in the record between pages 1082 and 1094, and we respectfully refer the Court to that review of this case.

Root v. Railway Co.

At page 34 of respondent's brief it cites the case of Root v. Railway Co., 105 U. S. 189. That was a suit for infringement of a patent. In that case this Court held, on the principle that a trustee who had wrongfully used trust property to his own advantage will be required to account for those gains and advantages in a court of equity, that profits for infringement of a patent may be recovered in a court of equity. There can be no question but that that is the rule

in patent cases. But, as already pointed out in our main brief, there is no analogy between patent and trade-mark cases and a case based upon unfair competition in trade — the case at bar. No property right was involved here and no property right was invaded. Nothing was used that the Court had held that the defendant did not have a right to use. The Court held in this case that the defendant has a right to use the name "American Lady", but that it must not use that name in such a manner as to lead the public to believe that its shoes are the shoes of complainant. Therefore, it is for damages sustained by reason of the sale of American Lady shoes sold to the public under the belief that they were the shoes of complainant that the defendant must account, if at all, in this case, and not for an invasion of a property right of the complainant.

In the case of Root v. Railway Co. this Court clearly pointed out that the basis of the complainant's right of recovery in patent cases is for the invasion of the complainant's property right. In that part of the opinion of this Court, quoted at page 35 of the respondent's brief, it is said that "the rule for ascertaining the amount of such profits (in patent cases) is that of treating the infringer as though he were a trustee for the patentee, in respect to profits." Also (middle of the page), declaring that the basis of its opinion was "according to what rule of computation and measurement the compensation of a complainant would be ascertained." Compensation for what? In patent and trade-mark cases, compensation for the use of the property right of the defendant. But in a case of unfair competition no property right is involved, no exclusive right exists and no monopoly has been availed

of. That this is the basis of the decision in the case of Root v. Railway Co. is also shown by the quotation from that case near the bottom of page 35 of respondent's brief, as follows:

> "The rule adopted was that which the Court in fact applies in cases of trustees who have committed breaches of trust by **an unlawful use of the trust property.**"

In patent and trade-mark cases the equivalent of the **trust property** is the complainant's patent or trade-mark. In a case of unfair competition no property right exists or is invaded, for the defendant does not have a property right in the thing used, but, at most, a right to be protected from unfair competition, *i. e.*, the sale of the defendant's goods as and for the complainant's goods. This distinction has been recognized by this Court on numerous occasions. For instance, in the case of Lawrence Mfg. Co. v. Tennessee Mfg. Co., 138 U. S. 538-9, this Court pointed out:

> "That the jurisdiction to restrain the use of a trade-mark rests upon the ground of the **plaintiff's property** in it and of the defendant's unlawful use thereof."

And this distinction was also made by Judge Hook in his dissenting opinion in the case at bar, in which he said (Rec., p. 1122; 206 Fed. 620):

> "The Court has applied the rule which obtains in cases of patent and trade-mark. There is a reason for the rule in those cases which is not applicable to unfair competition. Patents and trade-marks are in themselves a sort of special property of which the owner is given a monopoly by statute

(and common law). He has the exclusive right everywhere.

"An infringer carries off the property, as it were, and makes gains and profits from a use which belongs to the owner. Those gains and profits are recoverable in equity (not at law, Burdell v. Denig, 92 U. S. 716, 23 L. Ed. 764), according to the rule applied a trustee who has wrongfully used trust property to his own advantage (Root v. Railway, 105 U. S. 189, 26 L. Ed. 975). In unfair competition the plaintiff has no such property right in his trade-name, symbol, or dress of goods. Any one can use them by making it clear to the ordinary purchaser that the articles to which they are applied are his, not plaintiff's. A wrongful use of them is a tort injurious to plaintiff's business, but it is not an appropriation of a property right of which he has a monopoly. For a wrongful injury to business, damages is the ordinary rule, and compensation the ordinary measure of recovery. The books are full of instances in which the recovery is so limited. When more than compensation is demanded, the reason must be found in statute or special circumstances; and when the latter are relied on they should be closely examined, especially when, as here, the doctrine is not fully settled in the law, but is argued upon analogy. It is not enough to say unfair competition is analogous to infringement of a trade-mark and profits are recoverable for the latter. Unfair competition is a subject of modern origin, and its development, which has been rapid, should proceed along lines of principle. Upon what theory is a plaintiff entitled to more than an injunction and compensatory damages for injury sustained—a loss of his business? Disapprobation excited by defendant's conduct will not suffice. As was said in Livingston v. Woolworth, 15 How. 546, 559, 14 L.

Ed. 809: 'We are aware of no rule which converts a court of equity into an instrument for the punishment of simple torts.' "

It will, therefore, be seen that the case of Root v. Railway Co. does not support the theory of complainant, but it clearly supports the proposition that there is a clear distinction between cases of patents and trade-marks and cases of unfair competition and that the same rule does not apply to both classes of cases.

Tilghman v. Proctor.

At page 36 of respondent's brief it cites and quotes from the decision of this Court in the case of Tilghman v. Proctor, 125 U. S. 136-148. In that case Mr. Justice Gray pointed out that only the principle of the cases requiring a trustee who has wrongfully used trust property to his own advantage to account therefor is applied in patent cases. Of course no trust relationship exists in fact between the patentee and the infringer, but the principle of those cases is borrowed and applied in patent cases as a means of compensating the owner of the patent for the use thereof by the infringer. This is clearly recognized in that decision where it is pointed out that for "infringement of a patent" the plaintiff will be given "compensation computed and measured by the same rule that courts of equity apply to cases of a trustee who has wrongfully used the trust property for his own advantage". In this case again the Court speaks of compensation. Again we ask, compensation for what? Can it be compensation for anything except the use of the complainant's property right in the patent? A person can only be entitled to compensation when something which it owns has been

used or taken advantage of by another. In patent or trade-mark cases the thing for which compensation is given is the use of the complainant's property in the patent or trade-mark. In unfair competition cases no property right is involved and nothing belonging to the plaintiff is used by the defendant.

Herring-Hall-Marvin Safe Co. v. Hall's Safe Co.

At page 37 of its brief the respondent cites the case of Herring-Hall-Marvin Safe Co. v. Hall's Safe Co., 208 U. S. 555. In that case the article was a large and expensive safe. There was no question as to the article being sold in packages or cartons. The name "Hall" had first been applied to safes by the founder of the complainant company. Both the complainant and the defendant used the name "Hall" as a part of their corporate names. That being true, the mere use of the defendant's full name, of which "Hall" was the distinctive part, would not have avoided confusion. This Court held that under the peculiar facts of that case the defendant should so mark its safes as to plainly indicate that they were not the safes of the original Hall Company or its predecessor. But this Court did not decide anything with reference to an accounting of profits in that case and that case is, therefore, not in point for the purpose for which it is cited in complainant's brief.

Merriam Co. v. Saalfield.

At page 38 of the respondent's brief it cites and quotes from the decision of the Circuit Court of Appeals for the Sixth Circuit in the case of Merriam Co. v. Saalfield, 198 Fed. 369. In that case the Court ap-

plied to a case of unfair competition the rule applicable to patent and strict trade-mark cases and it based its decision on the decision of this court in the case of Westinghouse Co. v. Wagner, 225 U. S. 604. In so doing the Court of Appeals followed what appears to be an entirely new rule in so far as the decisions of the Federal Courts in unfair competition cases is concerned, and it went counter to numerous well-considered decisions of the Court of Appeals of other circuits and the principles laid down in numerous well-considered decisions of this Court. Furthermore, as pointed out between pages 55 and 60 of our main brief, in this Court, the Circuit Courtof Appeals for the Sixth Circuit, in that case misconceived the rule adopted by this Court and applied to the case of Westinghouse Co. v. Wagner. In addition to all of this careful study and analysis of the case of Merriam v. Saalfield shows that the Circuit Court of Appeals for the Sixth Circuit did not understand and did not correctly apply the principles relating to this class of cases. In that case the Court of Appeals said (198 Fed. 377):

> "If books which offend only by bearing the title bear also the required qualification, there could, from their dress alone, be no inference that their sale was the result of unfair competition. Nevertheless, if it could be shown that such a book was in some other effective manner represented to be complainant's book, and was bought by reason of such misleading, such sale would be equally an invasion of complainant's right."

Undoubtedly this is true, and it goes to show that the complainant's right of recovery in cases of unfair competition is based upon the fact that the custom-

ers have been deceived, and is not due to the fact that the defendant used a particular name or a particular dress without the same having been qualified, as directed by the Court in this case. It further shows that the limits within which the complainant will have a right of recovery in cases of unfair competition are not confined to those cases in which the defendant has used a particular name, but that complainant has a right of recovery in every case in which it is shown that the defendant's goods have been sold as and for the goods of the complainant, to the deception of purchasers. **The recovery depends upon the actual accomplishment of a fraud against the complainant's business.**

This also tends to illustrate, we believe, the fact that the Circuit Court of Appeals for the Sixth Circuit was in error in adopting the analogy of patent cases in the case of Merriam Co. v. Saalfield, for obviously it could not be said that the complainant's right of recovery in the instance thus cited by it was based upon any principle applicable to cases of infringements of patents or strict trade-marks, inasmuch as the sales could not possibly be said to be the result of, or in any manner attributable to, the use by the defendant of any device or dress to which the complainant had the exclusive right or which the defendant had no right to use.

Furthermore, what the Court of Appeals said in that case with regard to the extent of the plaintiff's right to recover was *obiter dictum*. At that time the case was not before the Court on the accounting, but on bill and answer in the main case. Therefore, the question as to whether the rule of the patent cases

should be applied on the accounting was not before the Court and counsel had no opportunity to brief or present that question. The evil of thus deciding a question that is not before the Court is manifest when one considers the facts and circumstances of that case. As a result of the courts thus deciding a question which was not then in issue and which counsel therefore had no opportunity to brief or argue, not a single decision in an unfair competition case was cited in the defendant's brief against the propriety of that decision, although there is abundant and convincing authority that might have been cited had that question then been before the Court so that counsel might have had an opportunity to cite it. Indeed, in that opinion the Court said, at page 371:

> "The only decision in an unfair competition case which is relied upon against the propriety of an accounting in such a situation is Ludington v. Leonard, 127 Fed. 155, 62 C. C. A. 269."

We have examined the briefs filed in that case and we find that the case of Ludington v. Leonard was the only case cited which seemed to be contrary to the rule thus announced. The reference to the decision in the case of Ludington v. Leonard as a "decision in an unfair competition case" is significant, for the fact is that that was not a case of unfair competition, but a strict trade-mark case. The fact that the Court should thus refer to that case as a case of unfair competition, when, as a matter of fact, it was a strict trade-mark case, and the further fact that no other cases were cited which bore on this point is significant as showing utter failure of the defendant's

counsel to properly present that question (due to the fact that the case was not then before the Court on the accounting) and also of the fact that that decision is ill-considered and that it misconceives and fails to recognize the true distinction between cases of patents and strict trade-marks and a case of unfair competition, which is clearly recognized and applied in the many cases cited in our brief. See page 44 of our main brief in this court.

For the reasons above stated it is apparent, we believe, that the Circuit Court of Appeals for the Sixth Circuit was in error in adopting the rule laid down in the Saalfield case.

At pages 42 and 43 of respondent's brief it refers to an Iowa decision and a statement by a Mr. Lane and to "The Reporter's Syllabus" of the case of Wotherspoon v. Curry, an English case, to the effect that a property right attaches to the secondary meaning given to generic names. However, counsel for the respondent seem themselves to doubt the correctness of this statement when they say at the bottom of page 43 that "whether the right is properly classified as property is immaterial; the courts have uniformly applied the same rule as in cases of strict trade-marks, and for the same reason". It seems entirely clear that the term property right is not correctly used in this connection. A person cannot have a property right in something that he does not own, which "was not subject to exclusive appropriation by them" (Rec., p. 411), and which "others were entitled to use because of its being common property" (Rec., p. 412). It would seem that there could be no controversy about this, and inasmuch as that is the very basis of the

principle of the trade-mark cases, the property right of the complainant in the trade-mark—its right to exclude others from the use of the trade-mark—it would seem there could be no question but that the rule is not the same in patent and trade-mark cases and cases of unfair competition.

Edelsten v. Edelsten.

At page 45 of its brief the respondent cites the case of Edelsten v. Edelsten, 1 DeGex, J. & S. 185. That is an English case relating to a strict trade-mark consisting of an anchor as applied to wire. The infringement being shown in that case, of course, plaintiff was entitled to an injunction and an accounting. There is no doubt about that being the rule in trade-mark cases, but this is not a trade-mark case.

Lever v. Goodwin.

Between pages 46 and 49 the respondent discusses the case of Lever v. Goodwin, L. R. 36 Ch. Div. 1. That was a case involving a very close simulation of the dress of the complainant's package in the dress of the defendant's package. It was not a case involving a generic or descriptive name which had acquired a secondary signification, but was a case in which the defendant had studiously copied the dress of the complainant's package, as to all of its details. Furthermore, there was not merely proof of possible confusion, but there was proof of actual deception, as Cotton, L. J., points out at page 8 of the 36 Ch. Div.:

> "Not only that one was intended to pass for the other, **but that intention has been realized.**"

And

> "Then if you look at the evidence it comes out clearly and strongly that the defendant's soap is often bought under the belief that it is the complainant's soap."

Furthermore, the case was not before the Court on an accounting, but merely upon the question as to whether or not an accounting should be ordered. The case was one where all the earmarks indicated actual fraud in the simulation of the characteristic dress of the complainant's package and was also one in which there was abundant proof before the Court—"it comes out clearly and strongly"—that the defendant's soap had frequently been palmed off on the public to the actual deception of purchasers "under the belief that it is plaintiff's soap."

No such a case is presented on this record.

Lynn Shoe Co. v. Auburn, Lynn Shoe Co.

At page 49 of the respondent's brief it cites the case of Lynn Shoe Co. v. Auburn, Lynn Shoe Co., 100 Maine 461.

We feel that respondent's counsel must have cited this case through an oversight or else they failed to study and correctly analyze the decision in the case. This case went to the Supreme Court of Maine, the first time on appeal from the decree granting the injunction and ordering an accounting, and the second time on appeal from the decree on the accounting. The citation from that case, page 49 of respondent's brief, is from the decision of the Supreme Court of Maine on the first appeal. In passing upon the case at that time the Supreme Court of Maine made certain state-

ments with reference to the extent of the plaintiff's recovery on the accounting, as did the Circuit Court of Appeals for the Sixth Circuit, in the case of Merriam Co. v. Saalfield, *supra*. The error of so doing is shown by the fact that when this case of Lynn Shoe Co. v. Auburn, Lynn Shoe Co., again came before the Supreme Court of Maine on the accounting, it adopted not only a different rule with regard to the right of the plaintiff to recover but a rule that is in harmony with the rule for which we contend at this time. On the first appeal in the Lynn case the Supreme Court of Maine did hold that the rule was the same in unfair competition cases as in cases of trade-marks and patents and that the plaintir was entitled to recover all profits made on goods "sold in the simulated dress or package". However, the Master refused to include in the accounting certain shoes sold by the defendant for the reason that "**the evidence wholly fails to show any unfair competition or any ground for the inference that the plaintiff was injured thereby**". In speaking of this matter the Supreme Court of Maine on the second appeal (from the decision on the accounting), said at page 334 of the 103 Maine:

> "**Since it was possible and even feasible for the defendant to sell some shoes of such kind and under such circumstances as not to affect injuriously the plaintiff's trade, the finding of the Master is not found to be clearly wrong. Granting the general fraudulent character as to the plaintiff of the defendant's business conduct, we should not assume that none of its business transactions were free from that fraud.**"

The Master also excluded from the accounting cer-

tain other shoes sold by the defendant, but which the plaintiff claimed should be included on the ground that the sales were "in pursuance of the defendant's fraudulent purpose condemned by the Court, and were therefore unlawful, and also affected the market to the detriment of the plaintiff". In disposing of this contention the Supreme Court of Maine said (103 Maine 334):

> "But **by the terms of his commission the Master was not authorized to assess any punitive damages,** but only such as were actually sustained by the plaintiff and resulted from the unlawful acts of the defendant in unfair competition. The burden was on the plaintiff to prove the fact that it sustained damage from those particular sales. The Master reports, however, that there was no evidence that any purchasers or the public were misled by these particular sales, and no evidence is adduced that those sales crowded out any sales the plaintiff could have made but for them. In the absence of such evidence it should not be assumed that every sale by the defendant of shoes not impressed with a deceptive trade-mark deprived the plaintiff of a sale, or injured its reputation or even narrowed its market. It should not be assumed that any purchaser of the defendant's shoes in those cases would have purchased shoes of the plaintiff if the defendant company had never existed."

This decision of the Supreme Court of Maine is strictly in point and shows that in an unfair competition case the plaintiff's right to recover is based upon the fact that the defendant's shoes have been sold as and for the shoes of the complainant and if "**there was**

no evidence that any purchasers or the public were misled by these particular sales, and no evidence that those sales crowded out any sales the plaintiff could have made but for them'' that the plaintiff cannot recover on the accounting. To give the plaintiff profits made by the defendant and which are not shown to have been made in actual unfair competition would, as pointed out by the Supreme Court in that case, be permitting the Master ''to assess punitive damages'' when he was not authorized to do so. And, as pointed out by this Court in the case of Livingston v. Woolworth, 15 Howard 546, 559, ''we are aware of no rule which converts a court of equity into an instrument for the punishment of simple torts.''

Avery v. Meikel.

At page 50 of the respondent's brief it cites the case of Avery v. Meikel, 85 Ky. 435-448, the decision of a State Court. It confuses the principles applying to patent and trade-mark cases with the principles applying to cases of unfair competition. This case is a very doubtful authority and it is one of the cases criticised in the article in the Harvard Law Review, reproduced in the record at pages 1089 to 1091, and there shown to be in conflict with the decision of the Circuit Court of Appeals for the Second Circuit in the case of Baker v. Baker, 115 Fed. 297, 299, and with the decision of the Supreme Court of New Jersey in the case of Clark Thread Co. v. Wm. Clark Thread Co., 56 N. J. Eq. 789. It will be noted that at page 1091 of the record the article in the Harvard Law Review refers to the Lynn Shoe Company case in the 100 Maine, as laying down a rule similar to that in the case of Avery v. Meikel. However, when that article was written the decision

of the Supreme Court of Maine on the accounting and reported in the 103 Maine at page 334, had not been handed down. As pointed out above the second opinion in the Lynn Shoe Co. case absolutely nullifies the opinion of that court in that case on the first appeal.

Forster Mfg. Co. v. Cutter-Tower Co.

At page 50 of respondent's brief it cites the case of Forster Mfg. Co. v. Cutter-Tower Co., 211 Mass. 219. That case did not deal with any question of accounting. The Court merely held that the complainant was entitled to an injunction under the facts in that case. In that case, also, the Court pointed out that the defendant had "adopted complainant's box or package in every particular", with slight exceptions.

Notaseme Hosiery Co. v. Straus.

At page 50 of respondent's brief it quotes from the decision in the case of Notaseme Hosiery Co. v. Straus, 209 Fed. 495. That case is not an analogous case with the case at bar for the reason that it was not a case involving the use of a generic name. It was a case in which the defendant's package simulated that of the complainant, and "there had been a carefully planned and deliberate attempt to simulate successfully the dress" of the complainant's package. That was clearly pointed out by the Court in that case, where at page 496 of the 209 Fed. it said:

> "This is not a case of the use of a man's own name, which use may incidentally lead persons to suppose that his wares are those they have always associated with another dealer having the same name. There has been a carefully planned and deliberate attempt to simulate successfully the dress or earmark of another's goods."

Sharpless Co. v. Lawrence.

At page 51 of its brief the respondent refers to the case of Sharpless Co. v. Lawrence, 213 Fed. 423, and states that that case does not support the defendant's position in this case to the effect that cases of unfair competition do not involve the element of the use of another's property. That was the decision of the Circuit Court of Appeals for the Third Circuit, affirming a decree of the Circuit Court. The complainant had charged the defendant with infringement of a trade-mark and unfair competition by the use of two certain labels on cheese. The Court found that the plaintiff did not have a valid trade-mark, but it found that the defendant had been guilty of unfair competition. It, therefore, ordered an injunction and an accounting "of the damages sustained by said complainant from the unlawful acts of the defendant". On appeal the Court of Appeals affirmed that decree. The Court below then entered a decree referring the case to a Master to take an account of the profits derived by the defendant "from infringing upon the rights of the plaintiff" and "the damages which the plaintiffs have suffered by said infringement". Thereupon the defendant applied to the Court of Appeals for a writ of *mandamus* to correct the decree of the Circuit Court, claiming to require an accounting of profits was an enlargement of the scope of the original decree. The Court granted the writ and in passing upon that petition the Court of Appeals for the Third Circuit made the following remarks (page 426):

> "In theory, a technical trade-mark, like a patent right, is a species of property, and when it is invaded or appropriated, the owner thereof is entitled, not only to protection from further trespass,

but, to the recovery of the profits issuing therefrom, as incident to and a part of his property right. In suits for unfair competition, on the other hand, the complaint is not of an appropriation of a property right, but of a tort committed by the defendant, in that his conduct has been unlawful by reason of the consequential injury to the plaintiff."

The Court then stated that "Courts of Equity, in granting injunctive relief in cases of unfair competition, have sometimes decreed that the plaintiff should recover of defendant not only damages, but the profits, gains and advantages that have accrued to the defendant **by reason of his unfair competition**". It was then pointed out that profits can only be recovered when "the unfair competition is adjudged to have been willful and fraudulent and the recovery of profits in such cases is a punitive addition to the ordinary decree of compensatory damages". It then held (page 427) that while Courts "may, upon what seems to them sufficient grounds, include in their decrees an accounting of profits as well as an award of damages", that "the distinction between a decree for the recovery of damages and one for the recovery of profits, should not be lost sight of * * * and that the latter is not included in the former". The Court then pointed out (p. 427) that damages is "a sum of money adjudicated to be paid by some person to another as a compensation for a loss sustained by the latter in consequence of an injury committed by the former"; that the Courts all hold that it includes "the concept of indemnity or compensation for actual loss" and it, therefore, held that the decree entered in the Circuit Court authorizing the recovery of "damages sustained by said complain-

ant", included only the damages "within the legal meaning attached thereto", as above indicated. The Court of Appeals, therefore, held that the original decree in the Circuit Court authorizing the recovery of "damages sustained by said complainant" did not include profits and that upon the original decree being affirmed the Circuit Court had no authority to amend its decree so as to include profits.

It will be noted that the original decree of the Circuit Court in this case dismissed the complainant's bill. On appeal the Court of Appeals merely held that the plaintiff was entitled to an injunction which would protect it from the use of the name "American Lady" by the defendant "in a manner and under circumstances constituting unfair trade, the essence of the rule being that one person shall not, in the sale of his goods, so act as to lead the public to believe that they are the goods of another" (Rec., p. 409), and to an accounting "limited to the time since the commencement of this suit" (Rec., p. 412). The Court of Appeals did not in that decision define the limits of the accounting so as to indicate whether the plaintiff should recover profits in addition to damages. The decree of the Circuit Court ordering the accounting directs the Master "to ascertain and report the damages, since the commencement of this suit, which the plaintiff has suffered, and the profits, since the commencement of this suit, **for which the defendant may be liable**" (Rec., p. 451). It does not state that the defendant is liable for profits in addition to damages and inasmuch as that decree was entered in accordance with the directions of the Court of Appeals it could not have done so inasmuch as the Court of Appeals had not held that the plaintiff was entitled to recover prof-

its in addition to damages. As clearly indicated by the Circuit Court of Appeals for the Third Circuit in the case of Sharpless v. Lawrence, profits can only be recovered as an incident to damages, and then only when unfair competition has "been willful and fraudulent, and the recovery of profits in such cases is a punitive addition to the ordinary decree of compensatory damages", and that the profits that are then recoverable are only such as "have accrued to the defendant by reason of his unfair competition".

In this case, as was admitted in the complainant's brief before the Master, as was pointed out and found as a fact by the Master, the Circuit Court and the Circuit Court of Appeals, there was no proof that the defendant had been damaged. Therefore, inasmuch as profits are merely an incident to damages, the complainant would not be entitled to recover profits.

Furthermore, as pointed out by the Circuit Court of Appeals for the Third Circuit in that case, profits are "a punitive addition to the ordinary decree of compensatory damages". It is well settled that one cannot recover punitive damages except as an incident to actual damages and actual damages have positively not been shown.

That decision in the case of Sharpless v. Lawrence is also in point on the proposition that the profits recoverable are only such profits as "accrued to the defendant **by reason of his unfair competition**". This is in exact accord with the decisions of this Court in the case of Westinghouse Co. v. Wagner, 225 U. S. 620, and Dowagiac Co. v. Minnesota Plow Co., — U. S. —. The latter cases are cited in support of the third point made in our main brief between pages 46 and 60 thereof. With other cases there cited they clearly

point out that under the analogy of the patent cases plaintiff would not be entitled to recover the entire profits made by the defendant, but only that part of the profits which "accrued to the defendant by reason of unfair competition".

Baker v. Baker.

At page 52 of the respondent's brief it refers to the case of Baker v. Baker, 152 Fed. 297, decided by the Circuit Court of Appeals for the Second Circuit. That case is clearly in point here. It applies the doctrine established by this Court in numerous cases to the effect that unfair competition consists in the sale of the defendant's goods as and for the goods of complainant and inasmuch as the complainant in that case had failed to show "that a single person had purchased goods marketed by the defendant, supposing them to be the product of the complainant or that the complainant had lost a single customer by the defendant's conduct" it held that the evidence "failed to disclose that the complainant was entitled to any recovery of profits, or any except nominal damages, by reason of the defendant's conduct". This case is cited at page 23 of our main brief and we respectfully refer the Court to that discussion of this case and other cases there cited.

Lawrence Mfg. Co. v. Tennessee Mfg. Co.

At page 54 of its brief Respondent quotes from the decision of this Court in the case of Lawrence Mfg. Co. v. Tennessee Mfg. Co., 138 U. S. 546. In that quotation this Court was discussing the law applicable to a case of a strict trade-mark to which the complainant has the exclusive right, but in the case of Lawrence

Mfg. Co. v. Tennessee Mfg. Co., this Court expressly held that the complainant had no such right and it also held that defendant in that case had not been guilty of unfair competition. In that case this Court held that in order to make out a case of unfair competition it must clearly appear that the defendant has been guilty of fraudulent competition, palming off his goods as and for the goods of complainant.

National Biscuit Co. v. Baker.

At page 56 of its brief the defendant cites the case of National Biscuit Co. v. Baker, 95 Fed. 135. This case is also referred to in the Master's report as "an elaborate and well-considered opinion", and the Master undertakes to use it against the decision of the Circuit Court of Appeals for the Second Circuit in the case of Baker v. Baker, 115 Fed. 299, and against the position taken by the writer in the Harvard Law Review, referred to above. The decision in the case of the National Biscuit Co. v. Baker, is not in point here inasmuch as that was a case of a strict trade-mark, it was a decision on a motion for a temporary injunction and it did not deal with the question of accounting in any manner whatever. Furthermore, the correctness of the decision in that case has been seriously questioned and that case did not go beyond the Circuit Court, so that the Court of Appeals did not have a chance to pass upon it. However, that decision was rendered June 27, 1899. On April 15, 1902, the Circuit Court of Appeals for that circuit did have an opportunity to pass upon the exact question which is presented in the case at bar in the case of Baker v. Baker, 115 Fed. 299. The latter case was a case of alleged unfair trade in which an accounting had been had and the

Circuit Court of Appeals for the Second Circuit then held that the plaintiff was not entitled to recover any profits or any except nominal damages because the proofs on the accounting failed to show (as they did in the case at bar) that a single person had purchased goods marketed by the defendant, supposing them to be the product of the complainant, or that the complainant had lost a single customer by reason of the defendant's conduct.

CONCLUSION.

In conclusion, we respectfully submit that the decision of the Circuit Court of Appeals should be reversed and the decision of the Circuit Court affirmed. The complainant has failed to prove any damages and is therefore not entitled to any except nominal damages. It is stipulated in this case (Rec., p. 426) that after the mandate of the Court of Appeals on the first appeal had come down, and before the entry of the decree referring this case to a Master, that the defendant tendered the complainant one dollar in full settlement of all damages and profits which it might be entitled to recover on the accounting. The complainant, having refused to accept that tender, and having pressed the accounting and then having failed to show that it is entitled to recover any except nominal damages on the accounting, so that the costs of the accounting were needlessly and without legal cause accumulated, we submit that the costs should be taxed against the "complainant, who, without legal cause, necessitated them". Dowagiac Mfg. Co. v. Minnesota Plow Co., 183 Fed. 318, and cases cited; Hill v. Smith, 32 Fed. 753; Hohorst v. Hamburg-American Packet Co., 76 Fed. 472.

Respectfully submitted,

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